DEAR SHAREHOLDERS

We present the Comments on Performance and the Financial Statements of Cielo S.A. (“Company" or "Cielo") and its subsidiaries (together referred to as the “Group”) for the six-month period and the year ended December 31, 2019, accompanied by the Independent Auditor’s Report and the Supervisory Board Report.

The individual financial statements (Company) and the consolidated financial statements (Consolidated) have been prepared in conformity with accounting guidelines from Law No. 6,404/76 (Corporation Law), including the changes introduced by Laws No. 11,638/07 and No. 11,941/09, and instructions from the National Monetary Council (CMN) and the Brazilian Central Bank (BACEN), together referred to as “COSIF”, and the Brazilian Securities and Exchange Commission (CVM), when applicable.

The consolidated financial information comprises the account balances of Cielo (Company), its direct subsidiaries Multidisplay, Servinet, Braspag, Cielo USA, Cateno and Aliança and indirect subsidiaries Stelo (in September 2018, there was acquisition of controlling equity interest in Stelo, through subsidiary Aliança), Merchant e-Solutions (“Me-S”) and M4Produtos (together with Multidisplay referred to as “M4U”). Profit or loss of the joint ventures Orizon and Paggo (the latter not currently carrying out any operating activities) has been accounted for by the equity method in the consolidated financial information. This financial information has been adjusted, as applicable, in order to conform its accounting practices to those established by the Cielo Group. All the transactions, revenues and expenses among Group companies were fully eliminated in the consolidated financial information.

MESSAGE FROM MANAGEMENT

The year of 2019 was of major changes for Brazil and for the payment industry. The GDP growth, the fall in inflation to historically low levels allowing a gradual reduction of interest rate, and a rebound in job creation enabled economic growth, besides helping to boost retail sales.

Cielo aware of growing competition environment, implemented important structural changes. The Company has restructured its organization focusing on three business units according to its customer’s segments: Large accounts, Retail and Entrepreneurs. Additionally, the Company also adopted a new commercial model, hiring 1,000 hunters only with the purpose of increasing its client base.

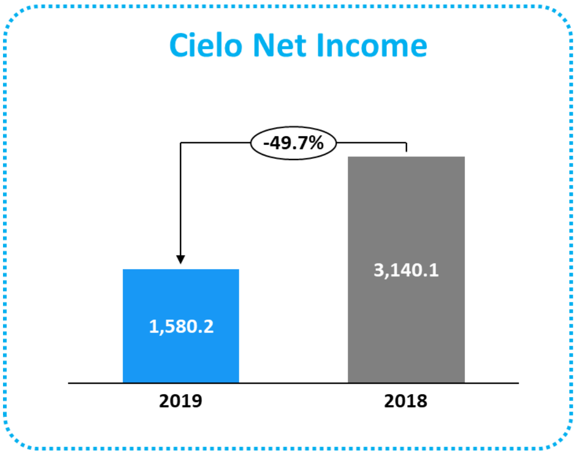
As the result of these changes and others measures was taken, the Company was able to grow continually our business, increasing by 9% in volume and by 18% of its client base, reaching a total of 1.6 million. Cielo established improvements of systems and processes that allowed a better valuation of customer’s experience. The Company also experimented a record of transactions per second during the Black Friday event, with more than 1.3 million of POS sold. Recognized as the best one and most innovative company of the financial services scetor, the Company is the top of mind brand between acquires.

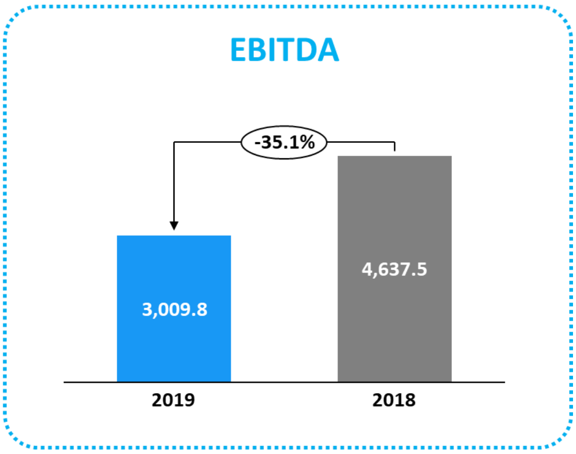
Cielo ended 2019 being sure that the mission was accomplished. Ready to 2020, Cielo celebrates 25 years of existence and leadership. It counts on more than 3,000 employees, capillarity and consistent technology systems, allowing Cielo to pursue its purpose: simplify and boost business for all.

HIGHLIGHTS 2019

- Cielo’s financial volume of transactions totaled R$ 683.1 billion, an increase of 9.0% compared to 2018, or R$ 56.6 billion;
- Cielo’s consolidated net revenue totaled R$ 11,347.3 million, a reduction of 2.9% compared to 2018, or R$ 338.5 million;
- Revenue from purchase of receivables (ARV), net of taxes, totaled R$ 1,123.0 million, representing a reduction of 26.7% compared to 2018. ARV reached 16.5% of the financial volume of credit captured by Cielo in the year, an increase of 0.2 percentage point in relation to 2018;

- Total consolidated expenditures (costs and expenses), not considering the effects from share of profit (loss) of investees, totaled R$ 9,418.4 million, an increase of 17.5% compared to 2018, or R$ 1,402.8 million;
- Cielo's net income totaled R$ 1,580.2 million, a 49.7% reduction compared to 2018, or R$ 1,559.9 million; and
- Consolidated EBITDA totaled R$ 3,009.8 million, a reduction of 35.1% compared to 2018 or R$ 1,627.6 million.





OPERATING PERFORMANCE 2019

Financial Volume of Transactions

Annual Evolution

In 2019, Cielo's financial volume of transactions totaled R$ 683.1 billion, an increase of 9.0% compared to 2018, or R$ 56.6 billion, compared to R$ 626.5 billion in 2018.

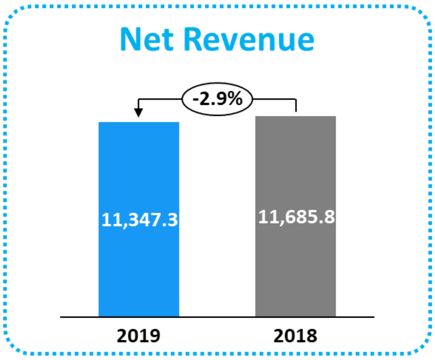
Specifically with credit cards, the financial volume of transactions totaled R$ 411.6 billion in 2019, an increase of 13.0% compared to 2018.

With debit cards, the financial volume of transactions totaled R$ 271.6 billion in 2019, an increase of 3.6% in relation to 2018.

In addition, Cielo captured 7.1 billion transactions in 2019, an increase of 2.9% compared to 2018.

FINANCIAL PERFORMANCE 2019

COMPARISON OF PROFIT OR LOSS ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

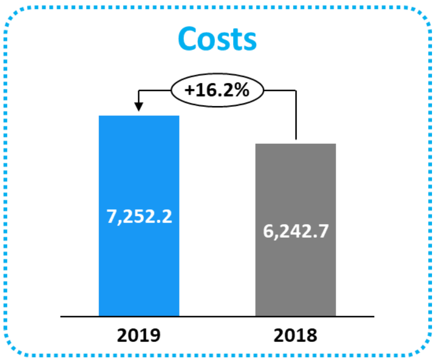


Net Revenue

Annual Evolution

Cielo's consolidated net revenue totaled R$ 11,347.3 million in 2019, representing a reduction of R$ 338.5 million or 2.9% compared to R$ 11,685.8 million in 2018.

The decrease in net revenue from capture, transmission, processing and financial settlement of transactions with credit and debit cards, as well as in POS equipment rental revenues, is mainly due to the pressure in the average price resulting from the competitive environment, effects partially offset by the increase in revenue related to payment in two days product, the business expansion at M4U, Stelo and Cateno, effect of appreciation of US dollar on revenue from operations of the US based company (Merchant e-Solutions) and the beginning of consolidation of Stelo since 4Q18.



Cost of Services Rendered

Annual Evolution

Consolidated cost of services rendered totaled R$ 7,252.2 million in 2019, representing an increase of R$ 1,009.5 million or 16.2% compared to 2018. The increase is mainly due to the following:

(i) Net increase of R$ 247.3 million in **transaction-related costs of Cielo and Stelo**, mainly in spending on compensation of brands and with processing of transactions, deriving from the increase in volume and the number of transactions, respectively, and higher expenses with call centers, as well as the consolidation of Stelo since 4Q18, net of the increase in tax credit on inputs (PIS/Cofins), in 2019;

(ii) The **costs related to POS equipment and other costs of Cielo and Stelo** increased by R$ 97.2 million, mainly due to the business expansion at Stelo, affecting spending on amortization of subsidy related to terminals, as well as the increase in investments in IT projects, partially offset by the reduction in depreciation costs due to the change in the estimated useful life of transaction capture equipment from three to five years and by the reduction in costs with maintenance of terminals, both at the Parent Company;

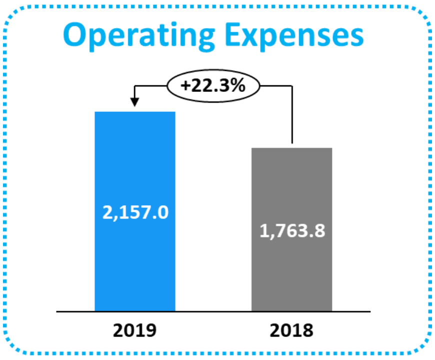
(iii) Net increase of R$ 482.5 million in **costs with services rendered of subsidiary M4U**, directly related to the growth in the business of resale of cell phone recharge, especially in the virtual mode;

(iv) Net increase of R$ 94.7 million in **costs related to the management of payment accounts under the Ourocard Arrangement of Cateno**, mostly related to increased spending on remuneration of brands and call centers, due to increased volumes in the year; and

(v) Increase of R$ 91.2 million in c**ost of services rendered of US-based subsidiary Merchant e-Solutions**, mainly affected by appreciation of average US dollar rate in the period.

Operating Expenses

Annual Evolution



Operating expenses totaled R$ 2,157.0 million in 2019, an increase of R$ 393.2 million or 22.3%, compared to 2018. The increase mainly results from the following:

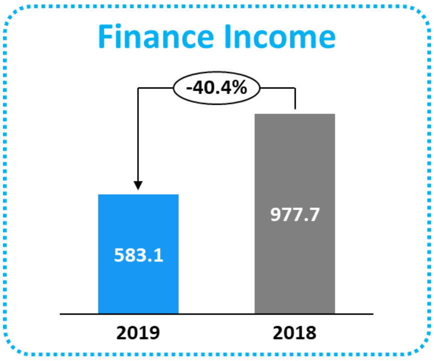
Personnel expenses - Personnel expenses increased by R$ 145.5 million, or 25.5%, to R$ 717.1 million in 2019, compared to R$ 571.6 million in 2018. The increase is mainly due to the hiring of employees to reinforce the sales team in 2019, the annual adjustment of salaries and the employee and executive retention program, partially offset by lower restricted shares plan expenses (share-based compensation) in 4Q19.

General and administrative expenses - General and administrative expenses, including depreciation, increased R$ 85.6 million or 23.8%, to R$ 445.9 million in 2019, compared to R$ 360.3 million in 2018. The increase is mainly related to the increase of the expenses of subsidiary Merchant e-Solutions and effect of appreciation of US dollar on, as well as increase in expenses with professional services and administrative expenses of subsidiaries Cateno, M4U and Stelo (effect of Stelo also affected by the beginning of its consolidation since 4Q18).

Sales and marketing expenses – Sales and marketing expenses increased R$ 21.6 million or 4.2%, to R$ 540.2 million in 2019, compared to R$ 518.6 million in 2018. The increase is mainly due to maintenance of marketing campaigns and renovation of the company's visual identity, as well as the increase in commercial actions with partners and banks.

Other net operating expenses - Other net operating expenses increased R$ 140.5 million or 43.6 %, to R$ 462.9 million in 2019, compared to R$ 322.5 million of 2018. The increase is mainly related to the increase in expected losses on bad debts and contestation of amounts by customers, as well as increase in provisions for tax risks.

Share of profit (loss) of investees - Share of profit (loss) of investees remained stable at R$ 9.2 million in 2019, compared to R$ 9.2 million in 2018.



Finance Income

Annual Evolution

Finance income, net totaled R$ 583.1 million in 2019, representing a reduction of 40.4 % or R$ 394.6 million, compared to R$ 977.7 million in 2018. The decrease is mainly due to the following:

Finance income - Finance income decreased R$ 166.5 million, or 47.8% to R$ 181.8 million in 2019, compared to R$ 348.3 million in 2018. The decrease in finance income is mainly related to the reduction in the average balance invested, due to the use of cash to promote purchase of receivables, and the payment in two days product, as well as the reduction in the average DI rate.

Finance costs – Finance costs increased R$ 99.8 million or 15.6% to R$ 738.7 million in 2019, compared to R$ 638.9 million in 2018. The increase is related to expenses with the increase in the level of indebtedness, the proceeds of which are mainly allocated to promote purchase of receivables and the payment in two days product.

Purchase of receivables, net (ARV) – Revenue from purchase of receivables, net of taxes, totaled R$ 1,123.0 million in 2019, a decrease of R$ 409.8 million or 26.7 % compared to R$ 1,532.8 million in 2018. The decrease is mainly related to the reduction in spread and the average DI rate, concurrently with the increase in the concentration of clients in the Large Accounts segment and the reduction in the pro rata temporis adjustment (lower appropriation of revenue than in previous periods), partially offset by the increase in volume purchased.

Exchange variation, net - Exchange gain, net, totaled R$ 17.1 million in 2019, a variation of R$ 281.5 million, when compared to exchange loss, net of R$ 264.4 million in 2018. The variation was mainly due to the contracting of financial instruments to reduce exposure to foreign currency since January 2019.

EBITDA

EBITDA

Annual Evolution

EBITDA totaled R$ 3,009.8 million in 2019, a reduction of 35.1% compared to 2018, or R$ 1,627.6 million, as shown below.

EBITDA (R$ million)	2019	2018
Cielo Net Income	1,580.2	3,140.1
Shareholders other that not of Cielo S.A.	205.7	217.5
Financial Income (Expenses)	(583.1)	(977.7)
Tax and Social Contribution	735.4	1,299.5
Depreciation and amortization	1,071.7	958.0
EBITDA	**3,009.8**	**4,637.5**
% EBITDA margin	26.5%	39.7%

EBITDA corresponds to the net income, plus income tax and social contribution, depreciation and amortization expenses and finance income net of finance costs. We point out that for such calculation, the parent company's net income includes the non-controlling interests.

Management believes that EBITDA is an important parameter for investors because it provides relevant information about our operating results and profitability.

However, EBITDA is not an accounting measurement used in the accounting practices adopted in Brazil and, according to the International Financial Reporting Standards (IFRS), it does not represent the cash flow for the reporting periods and it should not be considered as an alternative to net income as an operating performance measure or as an alternative to operating cash flow or as a measurement of liquidity. In addition, the EBITDA has a limitation which jeopardizes its use as a measure of profitability, since it does not consider certain costs deriving from businesses, which may significantly affect profit, such as financial expenses, taxes, depreciation, capital expenditures and other related charges.

CORPORATE GOVERNANCE

Corporate Governance is a priority for the Company, which has as one of its goals its continuous improvement to support sustainable, long-term corporate performance. In this spirit, the Company voluntarily adopts the best corporate governance practices besides those required for companies listed on B3’s Novo Mercado, evidencing the commitment of the Company and its Management to the interest of its shareholders and investors.

The maximization of its efficiency and creation of long-term value translate, for example, into: (a) the adoption of an appropriate decision-making system and the monitoring of compliance therewith; (b) the maintenance of a Corporate Governance Office, which aims to support management bodies and committees/advisory forums of the Company and its subsidiaries, as well as to ensure compliance with the best corporate governance practices; (c) the adoption of ethical and sustainable conduct; (d) the formal performance assessment of the Board of Directors members and related advisory bodies on an individual and group basis; (e) the presence of distinct personnel holding the positions of Chairman of the Board of Directors and Chief Executive Officer; (f) the existence of an annual calendar and minimum agenda for the Board of Directors, covering the subjects to be discussed over the year in meetings previously scheduled; (g) the exchange of information through the Corporate Governance Electronic Portal; (h) the existence of a Policy on Related Party Transactions and situations involving Conflicts of Interest; and (i) a Code of Ethics mandatorily adhered to by all employees and Management, which establishes basic principles that should guide the Company's relations and activities, in addition to reiterating the need to comply with current legislation, widely disseminated at the Company and publicly disclosed on the Company's Investor Relations website.

It is worth pointing out that since 2013 the Company has been adopting a Policy on Related Party Transactions and other situations concerned with conflict of interests (“Policy”), which aims at consolidating the procedures to be followed in the Company’s businesses involving related parties, as well as other situations involving potential conflict of interests, conferring transparent procedures to its shareholders and the market in general, ensuring its strict alignment with the Company’s interests, always in compliance with the best Corporate Governance practices, being reviewed in July 2019 to comply with the recommendations of the Brazilian Corporate Governance Code – Publicly-Held Companies prepared by the Interagentes Working Group, which is coordinated by the Brazilian Institute of Corporate Governance.

Regarding the approval of transactions with related parties, it is the responsibility of the Corporate Governance Committee to evaluate the transaction (the business and its rationale), as well as the documentation that evidences that the transaction will be carried out under fair market conditions (such as, but not limited to, commercial proposals and market surveys). Notwithstanding the submission of this documentation, in the cases in which the aforementioned Committee deems it necessary, an independent appraisal report must be submitted, prepared without the participation of any party involved in the transaction with a related party, be it a bank, lawyer, specialized consulting firm, among others, based on realistic assumptions and information endorsed by third parties. After analysis, the Corporate Governance Committee will recommend or not the topic to be decided about to the Company's Board of Directors, which will have access to all documents related to transactions with related parties.

It is important to note that the Corporate Governance Committee, when called to evaluate transactions between the Company and any of its controlling shareholders, will exceptionally be composed of all independent directors, and such independent directors should be called upon to consider the matter as *ad hoc* members of the Committee, replacing the member(s) appointed by the conflicting controlling shareholder(s), in addition to the Committee members who are not in conflict.

In addition, the members of the Board of Directors in a position of conflict (i *) a priori* , will not participate in the meetings or (ii) if they are present due to other matters covered, they should be absent from discussions on the topic and abstain from voting to decide about the matter. If requested by the Chairman of the Board of Directors or by the Chief Executive Officer, as the case may be, such members may partially participate in the discussions, aiming to support them with more information about the operation and the parties involved, but should always, however, be absent at the end of the discussions, including from the voting process to decide about the matter. The member(s) appointed by the controlling shareholder (s) who is (are) not in conflict regarding the matter to be decided about shall not participate in the meetings of the Board of Directors or Corporate Governance Committee when the matter to be decided about refers to a strategic issue of the conflicting shareholder.

Referring to the Company's corporate governance bodies, the Board of Directors which is a joint committee is composed of 11 (eleven) members, who do not perform management activities, out of which 3 (three) are independent, where their independence aims to protect the interests of the Company and its minority shareholders. The Board of Directors is responsible, among other attributions, for setting the general direction of the Company's business, electing the members of the Executive Board and overseeing its management. Currently, the Company' Statutory Board is composed of ten (10) members and performs the general management of the Company, respecting the guidelines defined by the Board of Directors. Moreover, as another evidence of the Company's adherence to the best Corporate Governance practices, the Board of Directors has six (6) advisory committees, namely: Audit Committee, Finance Committee, Corporate Governance Committee, People Management Committee, Sustainability Committee and Risk Committee; and the Executive Board has 9 (nine) advisory forums: Disclosure Forum, Ethics Forum, Expenses Forum, Social and Cultural Investments Forum, Pricing Forum, Projects Forum, Diversity Forum, Innovation Forum and Products and Services Forum.

The Company's Supervisory Board, an independent management body, is currently installed to oversee the Management activities and is composed of 5 (five) members, 01 (one) of them is an independent member.

Cielo is committed to the inclusion of Sustainability-related issues in its practices, aiming at ensuring success of the business in the long term, contributing to a wholesome environment, a fairer society and Brazil's social and economic development.

To better structure the achievement of these commitments, in 2017 the Company also revised its Sustainability Strategic Plan. Adherent to the Company's business plan, approved by the Board of Executive Officers, the Sustainability Committee and the Board of Directors, this plan enabled a clearer understanding of how sustainability may effectively add value and boost the Company's business, which has an enormous potential to stimulate the Brazilian economy. At the end of the process, the plan structure foresees initiatives of potential competitive advantage in the market – employees' commitment to a culture of sustainability, the incentive to entrepreneurship and enhancement of the good practices already adopted by Cielo – environmental management, private social investment and critical suppliers' management from the sustainability viewpoint.

The plan has actions planned for the period from 2017 to 2021 and, some practices have already started to be implemented, such as, for example, the Diversity Program, which was structured in the 2nd half of 2019. Such program has 4 groups of affinities (Ethnicity, LGBTQI +, Gender and PCDs) and aim to promote acceptability and equality in all relationships. Another result already achieved as a consequence of the Strategic Planning was the certification of the Environmental Management System (SGA) NBR ISO14.001 for Cielo's headquarters.

The good practices, already implemented by the Company are adopted every day, by means of consistent environmental initiatives, such as for instance, the establishment of a climate-related strategy, which includes the elaboration of greenhouse gas emission inventories (GHG) in line with the best world-class practices, audited and published in the Public Registry of Brazil GHG Protocol Program and the offset of carbon emissions; the investment in social projects which promote education, by means of actions contributing to improved basic education and/or technical education, as well as initiatives that enable income generation also contributing to the development of Brazilian entrepreneurs.

The generation of value to the Company and the stakeholders with whom we maintain relationship occurs by means of an ethical conduct, assumption that guides and permeates all Cielo’s activities. Through the Code of Ethical Conduct, Cielo seeks to ensure the best corporate practices in the relationship with all of its stakeholders.

In accordance with the principle of transparency, in April 2019, the Company published its 2018 Sustainability Report, which was prepared based on the guidelines of the Global Reporting Initiative (GRI), GRI Standards version, providing information on the Company’s performance regarding the most significant aspects for the business sustainability, seeking to demonstrate its ability to generate value and performing on a longstanding basis.

Such agenda of sustainability promotes business opportunities and enables competitive advantages to Cielo, perceived by the financial market and the entire society. As an example, Cielo, for the sixth consecutive year adheres to the portfolio of the Corporate Sustainability Index (ISE) of B3, an acknowledgment which attests, amongst the Company’s initiatives, to good corporate governance practices, suppliers management – taking into account social and environmental aspects and actions to promote its employees’ life quality.

In 2019, Cielo joined for the fourth consecutive year, the portfolio of the Dow Jones Sustainability Index (DJSI), under the World category (valid until September 2020). In order to be included, companies go through a strict selection process, which analyzes the economic data, environmental and social performance, corporate governance, risk management, mitigation of climate change and labor practices, among other aspects. And, since 2011, the Company has been issuing the American Depositary Receipts (ADRs), Level I, listed on the OTCQX International market.

RELATIONSHIP WITH AUDITORS

Pursuant to CVM Instruction No. 381/03, we inform that during 2019, the Company engaged the independent auditing services of KPMG.

The Company’s policy when contracting independent auditor’s services assures there is no conflict of interests, no loss of independence or objectivity. Therefore, Cielo’s policy to engage independent auditors adopts the following internationally accepted principles: (a) the auditor shall not audit his own work, (b) the auditor shall not perform managerial duties at his client and (c) the auditor shall not promote the interests of his client.

Cielo declares that the independent auditors have been engaged to provide services not related to external audit during the year of 2019, which comprise providing limited assurance about Environmental, Social and Governance information presented in the Sustainability Report 2018 and reasonable assurance about Cielo’s compliance with the clauses (obligations) of the Agreement for Discontinuing Practices (“TCC”) by and between the Brazilian Administrative Council of Economic Defense (“CADE”) and Cielo. These engagements comply with the company’s corporate governance requirement, which determines that every extraordinary engagement of independent auditor who audits its financial statements, directly or indirectly, needs to be previously analyzed by the Audit Committee and authorized by the Board of Directors. The contractual amount was R$ 266.6 thousand and represents approximately 10.8% of total auditor’s fees referring to the 2019 financial statements of Cielo and its subsidiaries Cateno, Stelo, Orizon and Investment Funds (FIDCs).

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Cielo S.A.

Individual and Consolidated Financial Statements for the six-month period and year then ended December 31, 2019 and Independent Auditor’s Report *(COSIF)*

Contents

Independent auditors’ report on the individual and consolidated financial statements

To
The Shareholders and Board of Directors of
Cielo S.A.
Barueri - SP

Opinion

We have audited the individual and consolidated financial statements of Cielo S.A. ("Company"), which comprise the balance sheet as of December 31, 2019, and the statements of profit or loss, of comprehensive income, changes in equity and cash flows for the six-month period (individual) and year then ended (individual and consolidated), and notes to the financial statements, comprising the summary of the significant accounting policies.

In our opinion, the individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Cielo S.A. as of December 31, 2019, its individual financial performance and its cash flows for the six-month period and year then ended, and consolidated for the year then ended, in accordance with the accounting practices adopted in Brazil applicable to the payments institutions authorized to operate by the Central Bank of Brazil ("BACEN").

Basis for opinion

We conducted our audit in accordance with International and Brazilian Standards on Auditing. Our responsibilities, in accordance with the aforementioned standards, are described in the following section entitled "Auditor's responsibilities for the audit of the individual and consolidated financial statements”. We are independent from the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the financial statements and are set forth on the Professional Code of Ethics for Accountants and on the professional standards issued by the Regional Association of Accountants, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Process of capturing, processing and settling transactions

The Company captures, processes and settles transactions made by holders of credit and debit cards issued by Financial Institutions, which are the basis for the recognition of operating revenues and other information presented in the individual and consolidated financial statements, particularly that about accounts payable to commercial businesses and accounts receivable from issuer banks. Due to the inherent high complexity of the processes for capturing, processing and settling transactions which, among others, is the basis of recognition of operating revenues and that could have an impact on the individual and consolidated financial statements, we consider this to be a key audit matter.

How the matter was addressed in our audit

Relying on the technical support of our IT experts, we evaluated the design of the key IT internal controls over the procedures followed for capturing, processing and settling credit and debit card transactions and related accounts. In addition, as well as the reconciliation of accounting balances with the information provided by the card brands, we also tested a sample assessing the supporting documentation over the recognition of the related operating revenue. Our procedures included evaluating the disclosures made by the Company in the individual and consolidated financial statements described in notes 5 and 11.

According to the evidence we obtained by applying the procedures described above, we considered the process for capturing, processing and settling transactions and the disclosures to be acceptable in the context of the individual and consolidated financial statements taken as a whole.

Evaluation of recoverable value for intangible assets with a definite useful life(Subsidiary – Cateno Gestão de Contas e Pagamentos S.A. and Consolidated)
As described in note 9 and 11, the value of investments accounted for using the equity method at individual financial statements includes values of intangible assets, thus classified at consolidated financial statement, assets with definite useful lives whose realization is supported by estimated future profitability based on the business plan prepared by the Company. Due to the significance and high level of judgment involved in estimating the future profitability of cash generating units for testing these assets for impairment, which may have an impact on the carrying value of the subsidiaries' investment registered for on the equity method in the individual financial statements, and the value of the intangible assets accounted at the consolidated financial statement, we considered this to be a key audit matter.

How the matter was addressed in our audit
Our audit procedures included the assessment of impairment value of intangible assets with definite useful lives. With the technical support of our corporate finance specialists, we analyzed the reasonability and consistency of the data and assumptions used in the last valuation model used by the Company to test the impairment, such as growth rates, discount rates, cash flow projections and estimates of profitability, as well as we performed the analysis of the reasonableness of the mathematical calculations included in this model. Additionally, we compared the profit projections used by the Company with the subsidiary's economic performance for the year ended December 31, 2019. Our procedures also included the evaluation of the disclosures made by the Company in the individual and consolidated financial statements described in note 9 and 11.

According to the evidence we obtained by applying the procedures described above, we considered the procedures followed for measuring intangible assets with definite useful lives and disclosures to be acceptable in the individual and consolidated financial statements taken as a whole.

Other issues

Statements of value added
The individual statements of value added (DVA) for the six-month period ended and year December 31, 2019, and consolidated, for the year then ended, prepared under the responsibility of the Company's management, and presented herein as supplementary information in accordance with accounting policies applicable to institutions authorized to operate by the Central Bank of Brazil, were subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we evaluated whether these statements are reconciled to the Company's individual and consolidated financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been adequately prepared, in all material respects, according to the criteria set on this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Other Information that accompany the individual and consolidated financial statements and the auditor report
Company's management is responsible for other information. The other information comprises the management's Report.

Our opinion on the individual and consolidated financial statements does not cover other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those in charge with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting policies adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' process of preparation of individual and consolidated financial reporting.

Auditors' Responsibilities for the Audit of the individual and consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that the examination performed in accordance with Brazilian and international standards on auditing will always detect possible existing material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual and consolidated financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors’ report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current six-month and year are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Osasco, January 27, 2020

KPMG Auditores Independentes
CRC 2SP028567/O-1 F-SP

Original report in Portuguese signed by
João Paulo Dal Poz Alouche
Accountant CRC 1SP245785/O-2

Standardized Financial Statements- “DFP”

Pursuant to National Monetary Council (“CMN”) Resolution No. 3,853/10 and Circular Letter No. 3,447/10 of the Central Bank of Brazil (“BACEN”), the Company elected to prepare its individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil, applicable to Payment Institutions authorized to operate by BACEN. Accordingly, we have only completed the tables referring to the standardized data of the individual financial information, since the tables referring to the standardized data of the consolidated financial information are only applicable when preparing the Consolidated Financial Statements in accordance with the Pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), approved by the Securities and Exchange Commission of Brazil (CVM) and aligned with the international standards issued by IASB. We present hereafter the Individual and Consolidated Statements of Financial Position and the related Individual and Consolidated Statements of Profit or Loss, as well as the accompanying Notes, the Individual and Consolidated Statements of Cash Flows and the Individual and Consolidated Statements of Value Added, in accordance with the accounting practices adopted in Brazil, applicable to Payment Institutions authorized to operate by BACEN:

Cielo S.A.

Financial position at December 31, 2019 and 2018
(In thousands of Brazilian Reais - R$)

Assets	Notes	Parent company 12/31/2019	Parent company 12/31/2018	Consolidated 12/31/2019	Consolidated 12/31/2018
Current assets					
Cash	4	59,863	36,880	231,817	433,961
Interbank investments	5	-	-	256,108	236,173
Securities and derivative financial instruments	6	8,065,191	7,261,906	2,767,512	2,232,912
Other receivables		72,810,916	62,266,504	74,189,077	63,501,559
Income receivable	7	284,638	372,148	875,676	885,015
Receivables from issuers	7	71,864,873	61,618,543	72,192,036	62,219,320
Receivables from related parties		196,893	19,457	-	-
Tax credits	8	306,813	323,379	400,491	90,166
Taxes and contributions for offset/recoverable		130,527	59,610	489,037	392,975
Others		273,120	53,344	495,337	102,904
Allowance for other doubtful debts	7	(245,948)	(179,977)	(263,500)	(188,821)
Other assets		85,635	53,576	100,853	63,433
Total current assets					
		81,021,605	**69,618,866**	**77,545,367**	**66,468,038**
Long-term assets					
Other receivables					
Debtors for guarantee deposits					
Tax credits					
Others		2,214,713	2,235,128	2,357,567	2,691,214
Other assets	14	1,586,621	1,624,223	1,596,454	1,637,377
	8	601,178	590,668	732,196	1,033,367
		26,914	20,237	28,917	20,470
Permanent assets		87	87	87	1,356
Investments					
Property and equipment					
Intangible assets					
	9	8,887,796	8,959,143	126,229	119,055
	10	830,152	523,853	892,248	580,794
	11	562,734	420,389	10,970,756	11,247,278
Total noncurrent and permanent assets		**12,495,482**	**12,138,600**	**14,346,887**	**14,639,697**
Total assets		**93,517,087**	**81,757,466**	**91,892,254**	**81,107,735**

Liabilities and equity	Notes	Parent company 12/31/2019	Parent company 12/31/2018	Consolidated 12/31/2019	Consolidated 12/31/2018
Current liabilities					
Borrowings	12	917,685	1,032,941	918,337	1,033,618
Derivative financial instruments		47,513	75,692	47,513	75,692
Other payables		73,568,211	63,553,441	67,436,987	56,076,857
Social and statutory	15 and 22	152,385	207,103	202,953	242,626
Tax and social security	8	104,375	339,720	554,265	796,244
Payables to clients	13	62,805,144	52,878,277	63,413,961	53,631,587
Obligations with senior quotas		-	-	2,000,352	-
Payables to related parties	27	9,906,443	9,425,751	-	-
Others		599,864	702,590	1,265,456	1,406,400
Total current liabilities		**74,533,409**	**64,662,074**	**68,402,837**	**57,186,167**
Long-term liabilities					
Borrowings	12	6,799,128	5,265,627	8,327,298	6,829,359
Other payables		2,717,196	2,465,495	2,022,440	4,061,935
Deferred taxes and contributions		-	-	70,747	115,246
Provision for contingencies	14	1,806,874	1,755,232	1,833,071	1,782,197
Obligations with senior quotas		-	-	-	2,000,507
Provision for obligations with investees		861,815	682,738	51	20
Others		48,507	27,525	118,571	163,965
Total noncurrent liabilities		**9,516,324**	**7,731,122**	**10,349,738**	**10,891,294**
Equity					
Issued capital	15	5,700,000	5,700,000	5,700,000	5,700,000
Capital reserve	15	65,658	71,255	65,658	71,255
Earnings reserves	15	3,745,178	3,583,971	3,745,178	3,583,971
Carrying value adjustments	15	12,716	59,622	12,716	59,622
(-) Treasury shares	15	(56,198)	(50,578)	(56,198)	(50,578)
Attributable to:					
Owners of the Company		9,467,354	9,364,270	9,467,354	9,364,270
Noncontrolling interests		-	-	3,672,325	3,666,004
Total equity		**9,467,354**	**9,364,270**	**13,139,679**	**13,030,274**
Total liabilities and equity		**93,517,087**	**81,757,466**	**91,892,254**	**81,107,735**

The accompanying notes are an integral part of these financial statements.

Cielo S.A.

Statements of profit or loss

Six-month period ended December 31, 2019 and Years ended December 31, 2019 and 2018

(In thousands of Brazilian Reais - R$, except earnings per share)

		Parent company			Consolidated	
	Notes	**2H19**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
NET REVENUE	17	2,544,607	5,300,680	6,450,408	11,347,305	11,685,849
COST OF SERVICES PROVIDED	18	(1,381,100)	(2,637,562)	(2,506,458)	(7,252,208)	(6,242,672)
GROSS PROFIT		**1,163,507**	**2,663,118**	**3,943,950**	**4,095,097**	**5,443,177**
OPERATING INCOME (EXPENSES)						
Personnel	18	(124,502)	(289,046)	(272,118)	(717,126)	(571,626)
General and administrative	18	(268,813)	(508,868)	(393,661)	(445,928)	(360,325)
Sales and marketing	18	(171,536)	(300,968)	(283,019)	(540,200)	(518,559)
Share of profit (loss) of investees	9	139,003	260,758	542,299	9,206	9,199
Other operating expenses, net	19	(193,829)	(377,541)	(295,927)	(462,926)	(322,456)
OPERATING PROFIT		**543,830**	**1,447,453**	**3,241,524**	**1,938,123**	**3,679,410**
FINANCE INCOME (COSTS)						
Finance income	25	16,879	32,449	138,422	181,785	348,252
Finance costs	25	(295,585)	(517,809)	(436,534)	(738,738)	(638,904)
Purchase of receivables / Yield from interest in FIDC	25	475,162	1,009,654	1,475,451	1,123,014	1,532,787
Exchange differences, net	25	(11,991)	17,089	(264,438)	17,057	(264,422)
		184,465	541,383	912,901	583,118	977,713
OPERATING PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		**728,295**	**1,988,836**	**4,154,425**	**2,521,241**	**4,657,123**
INCOME TAX AND SOCIAL CONTRIBUTION						
Current	8	(113,292)	(395,756)	(1,039,264)	(779,151)	(1,394,404)
Deferred	8	(14,535)	(12,929)	24,942	43,792	94,907
PROFIT FOR THE YEAR		**600,468**	**1,580,151**	**3,140,103**	**1,785,882**	**3,357,626**
Attributable to:						
Owners of the Company					1,580,151	3,140,103
Noncontrolling interests					205,731	217,523
Earnings per share (in R$) - Basic	16	0.22109	0.58250	1.15690	0.58250	1.15690
Earnings per share (in R$) - Diluted	16	0.22077	0.58166	1.15575	0.58166	1.15575

The accompanying notes are an integral part of these financial statements.

Cielo S.A.

Statements of comprehensive income
Six-month period ended December 31, 2019 and Years ended December 31, 2019 and 2018
(In thousands of Brazilian Reais - R$)

	Parent company			Consolidated	
	2H19	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Profit for the year	**600,468**	**1,580,151**	**3,140,103**	**1,785,882**	**3,357,626**
Comprehensive income					
Exchange differences on translating foreign operations:					
Exchange differences on foreign investments	(37,911)	(30,123)	(89,397)	(30,123)	(89,397)
Post employment benefits	(11,226)	(16,783)	-	(16,783)	-
Changes for the period	(49,137)	(46,906)	(89,397)	(46,906)	(89,397)
Total comprehensive income for the period	**551,331**	**1,533,245**	**3,050,706**	**1,738,976**	**3,268,229**
Attributable to:					
Owners of the Company				1,533,245	3,050,706
Noncontrolling interests				205,731	217,523

The accompanying notes are an integral part of these financial statements.

Cielo S.A.

Statements of changes in equity

Six-month period ended December 31, 2019 and Years ended December 31, 2019 and 2018
(In thousands of Brazilian Reais - R$)

					Earnings reserves							
		Issued capital	**Capital reserve**	**Treasury shares**	**Legal reserve**	**Capital budget**	**Additional dividends**	**Earnings retention**	**Carrying value adjustments**	**Total owners of the Company**	**Noncontrolling interests**	**Total equity**
Balances as at January 1, 2018		**4,700,000**	**62,620**	**(53,925)**	**892,740**	**3,341,628**	**1,058,785**	**-**	**149,019**	**10,150,867**	**3,659,593**	**13,810,460**
								-	-	-	-	-
Capital increase	13.a)	1,000,000	-	-	-	(1,000,000)	-	-	-	-	-	-
Acquisition of treasury shares		-	-	(20,127)	-	-	-	-	-	(20,127)	-	(20,127)
Restricted stock options granted	22	-	24,062	-	-	-	-	-	-	24,062	-	24,062
Sale of treasury shares under the stock option plan	22 and 13.b)	-	(15,427)	23,474	-	-	-	-	-	8,047	-	8,047
Profit for the year		-	-	-	-	-	-	3,140,103	-	3,140,103	217,526	3,357,629
Allocation of profit for the year:												-
Legal reserve	13.e)	-	-	-	157,005	-	-	(157,005)	-	-	-	-
Interest on capital proposed	13.g)	-	-	-	-	-	-	(165,500)	-	(165,500)	-	(165,500)
Interest on capital paid	13.f)	-	-	-	-	-	-	(465,000)		(465,000)		(465,000)
Proposed dividends paid	13.g)	-	-	-	-	-	-	(216,773)	-	(216,773)	-	(216,773)
Additional dividends proposed	13.g)	-	-	-	-	-	-	(709,500)	-	(709,500)	-	(709,500)
Additional dividends to mandatory minimum dividends paid	13.g)	-	-	-	-	-	(349,285)	(1,943,227)		(2,292,512)		(2,292,512)
Allocation of capital budget reserve		-	-	-	-	(516,902)	-	516,902	-	-	-	-
Carrying value adjustments:			-									-
Exchange differences on net foreign investments	13.d)	-	-	-	-	-	-	-	(89,397)	(89,397)	-	(89,397)
Effect of minority interests on consolidated entities		-	-	-	-	-	-	-	-	-	(211,115)	(211,115)
Balances as at December 31, 2018		**5,700,000**	**71,255**	**(50,578)**	**1,049,745**	**1,824,726**	**709,500**	**-**	**59,622**	**9,364,270**	**3,666,004**	**13,030,274**
Balances as at July 1, 2019		**5,700,000**	**79,292**	**(55,201)**	**1,098,729**	**2,247,359**	**-**	**-**	**61,853**	**9,132,032**	**3,659,100**	**12,791,132**
Acquisition of treasury shares		-	-	(11,071)	-	-	-	-	-	(11,071)	-	(11,071)
Restricted stock options granted	22	-	(3,560)	-	-	-	-	-	-	(3,560)	-	(3,560)
Sale of treasury shares under the stock option plan	22 and 13.b)	-	(10,074)	10,074	-	-	-	-	-	-	-	-
Profit for the period		-	-	-	-	-	-	600,467	-	600,467	115,669	716,136
Allocation of profit for the year:											-	-
Legal reserve	13.e)	-	-	-	30,024	-	-	(30,024)	-	-	-	-
Interest on capital proposed	13.g)	-	-	-	-	-	-	(81,276)	-	(81,276)	-	(81,276)
Interest on capital paid	13.g)	-	-	-	-	-	-	(120,101)	-	(120,101)	-	(120,101)
Dividends paid	13.g)	-	-	-	-	-	-	-	-	-	-	-
Capital budget reserve		-	-	-	-	369,066	-	(369,066)	-	-	-	-
Carrying value adjustments:												
Exchange differences on net foreign investments	13.d)	-	-	-	-	-	-	-	(37,911)	(37,911)	-	(37,911)
Post-employment benefit	13.d)	-	-	-	-	-	-	-	(11,226)	(11,226)	-	(11,226)
Effect of minority interests on consolidated entities		-	-	-	-	-	-	-	-	-	(102,444)	(102,444)
Balances as at December 31, 2019		**5,700,000**	**65,658**	**(56,198)**	**1,128,753**	**2,616,425**	**-**	**-**	**12,716**	**9,467,354**	**3,672,325**	**13,139,679**
Balances as at January 1, 2019		**5,700,000**	**71,255**	**(50,578)**	**1,049,745**	**1,824,726**	**709,500**	**-**	**59,622**	**9,364,270**	**3,666,004**	**13,030,274**
Acquisition of treasury shares		-	-	(22,829)	-	-	-	-	-	(22,829)	-	(22,829)
Restricted stock options granted	22	-	11,612	-	-	-	-	-	-	11,612	-	11,612
Sale of treasury shares under the stock option plan	22 and 13.b)	-	(17,209)	17,209	-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	1,580,151	-	1,580,151	205,731	1,785,882
Allocation of profit for the year:											-	-
Legal reserve	13.e)	-	-	-	79,008	-	-	(79,008)	-	-	-	-
Interest on capital proposed	13.g)	-	-	-	-	-	-	(81,276)	-	(81,276)	-	(81,276)
Interest on capital paid	13.g)	-	-	-	-	-	-	(404,000)	-	(404,000)	-	(404,000)
Dividends paid	13.g)	-	-	-	-	-	(709,500)	(224,168)	-	(933,668)	-	(933,668)
Capital budget reserve		-	-	-	-	791,699	-	(791,699)	-	-	-	-
Carrying value adjustments:												
Exchange differences on net foreign investments	13.d)	-	-	-	-	-	-	-	(30,123)	(30,123)	-	(30,123)
Post-employment benefit	13.d)	-	-	-	-	-	-	-	(16,783)	(16,783)	-	(16,783)
Effect of minority interests on consolidated entities		-	-	-	-	-	-	-	-	-	(199,410)	(199,410)
Balances as at December 31, 2019		**5,700,000**	**65,658**	**(56,198)**	**1,128,753**	**2,616,425**	**-**	**-**	**12,716**	**9,467,354**	**3,672,325**	**13,139,679**

The accompanying notes are an integral part of these financial statements.

Interim statements of cash flows

Six-month period ended December 31, 2019 and Years ended December 31, 2019 and 2018

(In thousands of Brazilian Reais - R$)

		Parent company			Consolidated	
	Notes	**2H19**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Cash flows from operating activities						
Profit before income tax and social contribution		728,294	1,988,836	4,154,425	2,521,241	4,657,123
Adjustments to reconcile profit before income tax and social contribution to net cash generated by operating activities:						
Depreciation and amortization	9, 10 and 11	195,076	351,280	402,369	1,071,698	958,025
Recognition (reversal) of provision for losses on property and equipment		(19,612)	7,962	2,454	7,962	2,454
Residual value of property and equipment and intangible assets disposed of	10 and 11	14,887	18,293	15,550	30,441	31,740
Stock options granted	25	(3,560)	11,612	24,062	11,612	24,062
Loss on doubtful debts and fraud	20	171,477	306,772	246,600	375,983	275,326
Provision for tax, civil and labor risks	14.a)	24,683	86,314	44,372	86,263	55,915
Unrealized gains (losses) on financial instruments	6	(92,324)	(20,401)	36,227	(20,401)	36,227
Interest on borrowings	12	229,047	421,645	398,322	481,558	456,478
Exchange differences relating to interest on foreign borrowings	12	88,118	54,970	468,623	121,829	698,462
Amortization of debt issuance costs	12	14,658	14,658	1,242	14,658	1,242
Share of profit (loss) of investees	9	(139,003)	(260,758)	(542,299)	(9,206)	(9,199)
Yield from interest in FIDC		(575,289)	(1,058,892)	(2,382,686)	-	-
(Increase) decrease in operating assets:						
Receivables from issuers		(4,171,939)	(10,399,621)	2,874,797	(10,264,681)	2,534,836
Receivables from related parties		(23,027)	(104,322)	(11,047)	-	-
Prepaid and recoverable taxes		(27,996)	(64,861)	131,081	(100,366)	41,024
Other receivables (current and noncurrent)		(26,241)	(32,059)	(21,590)	(36,151)	(21,760)
Escrow deposits	14.b)	39,962	37,602	(14,151)	40,923	(15,516)
Prepaid expenses		(211,902)	(226,042)	(26,394)	(396,241)	(52,010)
Increase (decrease) in operating liabilities:						
Payables to merchants		5,992,613	9,926,867	(4,499,000)	9,782,374	(4,164,949)
Taxes payable		(224,504)	(689,052)	(9,026)	(802,026)	(62,796)
Payables to related parties		(880,123)	480,692	131,699	-	-
Other payables (current and noncurrent)		269,941	357,047	(16,077)	556,173	138,785
Payment of tax, civil and labor lawsuits	14.a)	(27,482)	(34,672)	(14,125)	(35,389)	(15,035)
Cash generated from operations		**1,345,754**	**1,173,870**	**1,395,428**	**3,438,254**	**5,570,435**
Interest paid	12	(235,729)	(441,540)	(441,260)	(503,536)	(498,975)
Income tax and social contribution paid		(68,521)	(338,543)	(1,044,202)	(998,993)	(1,396,966)
Net cash generated by (used in) operating activities		**1,041,504**	**393,787**	**(90,034)**	**1,935,725**	**3,674,494**
Cash flows from investing activities						
Capital increase in subsidiaries, joint ventures and associate	9	-	-	(135,000)	-	-
Advance for future capital increase		(250,000)	(250,000)	(18,114)	-	-
Acquisition of shares in subsidiaries		-	-	-	-	(67,319)
Acquisition of shares of FIDC		(2,138,301)	(5,654,551)	-	-	-
Redemption of shares of FIDC		3,322,282	5,999,492	2,489,765	-	-
Dividends received from subsidiaries	9	283,089	533,386	514,054	2,060	-
Additions to property and equipment and intangible assets	10 and 11	(306,999)	(800,894)	(488,880)	(1,131,662)	(643,939)
Net cash generated by (used in) investing activities		**910,071**	**(172,567)**	**2,361,825**	**(1,129,602)**	**(711,258)**
Cash flows from financing activities						
Acquisition of treasury shares	15.c)	(11,071)	(22,829)	(20,127)	(22,829)	(20,127)
Sale/transfer of treasury shares under the stock option plan		-	-	8,047	-	8,047
Borrowings	12	12,127,843	18,550,855	1,000,000	18,450,714	1,000,000
Payment of principal, net of derivatives	12	(13,658,128)	(17,182,343)	(3,039,583)	(17,182,565)	(3,039,583)
Dividends and interest on capital		(263,394)	(1,503,167)	(4,001,985)	(1,702,579)	(4,213,101)
Net cash generated by (used in) financing activities		**(1,804,750)**	**(157,484)**	**(6,053,648)**	**(457,259)**	**(6,264,764)**
Effect of exchange rate changes on cash and cash equivalents of foreign subsidiary		-	-	-	(45,053)	116,480
Increase (decrease) in cash and cash equivalents		**146,825**	**63,736**	**(3,781,857)**	**303,811**	**(3,185,048)**
Cash and cash equivalents						
Closing balance	4, 5 and 6	191,400	191,400	127,664	3,206,857	2,903,046
Opening balance	4, 5 and 6	44,575	127,664	3,909,521	2,903,046	6,088,094
Increase (decrease) in cash and cash equivalents		**146,825**	**63,736**	**(3,781,857)**	**303,811**	**(3,185,048)**

The accompanying notes are an integral part of these interim financial statements.

Cielo S.A.

Statements of value added

Six-month period ended December 31, 2019 and Years ended December 31, 2019 and 2018
(In thousands of Brazilian Reais - R$)

	Notes	Parent company			Consolidated	
		2H19	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Revenues						
Sales of services	17	2,830,322	5,897,986	7,206,746	12,497,853	12,907,475
Losss on doubtful debts and fraud	19	(171,477)	(306,772)	(246,600)	(375,983)	(275,326)
		2,658,845	**5,591,214**	**6,960,146**	**12,121,870**	**12,632,149**
Inputs purchased from third parties						
Cost of services provided		(1,107,339)	(2,139,223)	(1,964,267)	(6,177,481)	(5,301,209)
Materials, electric energy, outside services and others		(428,701)	(775,633)	(632,830)	(757,781)	(603,962)
Other expenses, net		(24,169)	(54,728)	(35,765)	(70,902)	(33,617)
Gain (loss) on disposal of assets		1,818	(16,041)	(13,562)	(16,041)	(13,512)
		(1,558,391)	**(2,985,625)**	**(2,646,424)**	**(7,022,205)**	**(5,952,300)**
Gross value added		**1,100,454**	**2,605,589**	**4,313,722**	**5,099,665**	**6,679,849**
Retentions						
Depreciation and amortization	10 and 11	(195,076)	(351,280)	(402,369)	(1,071,698)	(958,040)
Wealth created, net		**905,378**	**2,254,309**	**3,911,353**	**4,027,967**	**5,721,809**
Wealth received in transfer						
Share of profit (loss) of investees	9	139,003	260,758	542,299	9,206	9,199
Finance income, including purchase of receivables and exchange differences, net	25	460,631	1,059,192	1,428,155	1,321,867	1,700,013
		599,634	**1,319,950**	**1,970,454**	**1,331,073**	**1,709,212**
Total wealth for distribution		**1,505,012**	**3,574,259**	**5,881,807**	**5,359,040**	**7,431,021**
Distribution of wealth						
Personnel and related taxes		(141,775)	(326,054)	(324,508)	(758,060)	(631,914)
Profit sharing	22	(37,982)	(79,164)	(66,416)	(118,105)	(93,260)
Taxes and contributions		(417,671)	(1,061,250)	(1,915,470)	(1,966,019)	(2,708,373)
Interest and rental expenses		(307,117)	(527,640)	(435,310)	(184,391)	(589,713)
Dividends and interest on capital paid		(120,101)	(628,168)	(2,625,000)	(805,983)	(2,625,000)
Dividends and interest on capital proposed		(81,276)	(81,276)	(875,000)	(81,276)	(875,000)
Earnings retention		(399,090)	(870,707)	359,897	(1,239,475)	309,765
Participation of noncontrolling interests		-	-	-	(205,731)	(217,526)
Wealth distributed		**(1,505,012)**	**(3,574,259)**	**(5,881,807)**	**(5,359,040)**	**(7,431,021)**

The accompanying notes are an integral part of these financial statements.

Notes to the individual and consolidated financial statements

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1 Operations

Cielo S.A. (the “Company” or “Cielo”) was established in Brazil on November 23, 1995, and is primarily engaged in providing services related to credit and debit cards and other means of payment, including signing up of merchants and service providers, rental, installation and maintenance of POS (point-of-sale) terminals, data capture and processing of electronic and manual transactions.

Cielo is a corporation headquartered in the City of Barueri, State of São Paulo. Its shares are traded on B3 S.A. - Brasil, Bolsa, Balcão, under ticker symbol “CIEL3”, and Cielo and its subsidiaries are part of the Banco do Brasil and Bradesco groups.

The Company’s direct and indirect subsidiaries and joint ventures that, together with Cielo, are also referred to as "Group" throughout this report, provide services related to means of payment or complementary to the acquiring services, such as provision of services in processing means of payments that involve cards, maintenance services and contacts with merchants for acceptance of credit and debit cards, data transmission services to load fixed or mobile phone credits, development and licensing of computer software, electronic transaction's processing, IT services for collection and management of accounts payable and receivable using the Internet, data processing services and support services to medical companies.

Significant events for the period

We highlight the following events that significantly affected the Company’s financial position for the year ended December 31, 2019:

- *On March 11, 2019, interest on capital of R$ 165,500 and dividends of R$ 709,500 were paid, referring to the 4th quarter of 2018;*
- *On June 24, 2019, the 5th issue of public debentures was made, in the total amount of R$ 3.0 billion, maturing in 2022;*
- *On June 26, 2019, the “Tender Offer” process was concluded to repurchase the portion of 79.3% of the “Ten-Year Bonds” issued by the Company, in the total amount of USD 372.9 million, and, on a subsequent date, the Company contracted a derivative financial instrument (Non Deliverable Forward - NDF) in order to provide hedge against exchange rate fluctuation on the new debt amount;*
- *On August 30, 2019, the foreign currency loan agreement (“operation 4,131”) was partially settled in the amount of US$ 118,166. The remaining balance of the loan in the amount of US$ 121,000 (R$ 504,328) was scheduled to mature on August 27, 2020. As a result of the partial rescheduling, on August 30, 2019, a derivative financial instrument was contracted (“ Swap ”) in order to provide hedge against exchange rate fluctuations;*
- *On June 27, September 27 and November 18, 2019, dividends and interest on capital were paid in the total amount of R$ 364,773, R$ 143,294 and R$ 120,100, referring to the 1st , 2nd and 3rd quarters of 2019, respectively;*

- *On December 20, 2019 and January 27, 2020, interest on capital for the 4th quarter of 2019 was approved, in the amount of R$ 57,100 and R $ 24,176, respectively, totaling R$ 81,276, which will be paid on February 13, 2020.*

Corporate events

On January 18, 2018, Cielo S.A, through its subsidiary Aliança Pagamentos e Participações Ltda. ("Aliança"), entered into a purchase and sale agreement with Companhia Brasileira de Solução e Serviços ("CBSS") for the acquisition of 70% equity interest in Stelo S.A. ("Stelo"), and now holds 100% equity interest in said company. The purchase value was established at R$ 87,492 based on the statement of financial position as at December 31, 2017.

On September 14, 2018, after conclusion of the process of analysis and approval of the transaction by the applicable regulatory agencies, the transaction was effected through payment and transfer of control of said shares.

As defined in the agreement, the purchase price was restated by reference to cumulative CDI rate variation from the signing date to the effective date of conclusion of the transaction, being settled in the amount of R$ 91,163.

Within 60 days from the purchase agreement closing date (September 14, 2018), a reference statement of financial position was prepared to define the amounts to be recognized in the operation, as well as to calculate the final purchase value, net of the adjustments contractually provided for (net debt and working capital).

Accordingly, the purchase reference value, based on the statement of financial position as at September 14, 2018, was R$ 67,320, resulting in a bargain purchase of R$ 18,200, recognized in profit or loss of subsidiary Aliança.

2 Summary of significant accounting practices

2.1 Statement of compliance and approval of the Financial Statements

The individual (Parent Company) and consolidated financial statements have been prepared in accordance with the accounting guidelines established by Law No. 6,404/76 (Brazilian Corporation Law), including the changes introduced by Laws No. 11,638/07 and No. 11,941/09, and the rules and instructions of the National Monetary Council (CMN) and Brazilian Central Bank (BACEN), together referred to as "COSIF", and Brazilian Securities and Exchange Commission (CVM), when applicable.

The individual and consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on January 27, 2020.

2.2 Main judgments, estimates and accounting assumptions

The preparation of individual and consolidated financial statements requires the Company's and its subsidiaries' Management to make estimates that affect certain assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses for the reporting period. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property and equipment and intangible assets, allowance for doubtful debts (on receivables from rental of POS equipment and receivables from issuers, for example), deferred income tax and social contribution (tax assets), impairment of goodwill (as applicable), provision for risks and fair value measurement of financial instruments. Since Management's judgment involves making estimates concerning the probability of occurrence of future events, actual results may differ from those estimates. The Company and its subsidiaries review the estimates and assumptions at least semi-annually.

2.3 Functional and presentation currency

The individual and consolidated financial statements are presented in Brazilian reais (R$), which is the Company's functional and presentation currency.

Management determined that the functional currency of its foreign subsidiaries is the US dollar. For Cielo USA, the main factor to determine the functional currency was the raising of US dollar denominated borrowings for the acquisition of control of Me-S. These borrowings will be settled using the cash generated from foreign operations. In addition, with respect to Me-S, the cash flows and services provided are fully denominated in US dollars.

For purposes of presentation of the consolidated financial statements, the assets and liabilities of subsidiaries Cielo USA and Me-S (based in the USA), originally denominated in US dollars, were translated into Brazilian reais at the exchange rates prevailing at period-end. Revenues and expenses were translated at the average monthly exchange rates. Exchange differences resulting from such translations were classified in carrying value adjustments and accumulated in equity.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, less estimated returns, trade discounts and/or bonuses granted and other similar deductions.

Revenues from the capture of transactions with credit and debit cards are recognized on the date of capture/processing of the transactions. Revenues from credit and debit card transactions and payment accounts management services, as well as other services provided to partners and merchants are recognized when the services are provided.

The income from dividends on investments is recognized when the shareholder's right to receive these dividends is established (provided that it is probable that future economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income is recognized when it is probable that future economic benefits will flow to the Group and the amount of revenue can be measured reliably.

The income from purchase of receivables to merchants is recognized on a "*pro rata temporis*" basis considering their maturities.

In the case of Me-S, in the context of its agreements with the banks, it assumes liabilities of the acquirer bank and is, therefore, accountable for the interchange fees. The bank also receives market rates for its services and, therefore, is not exposed to the agreement's risks and rewards. Additionally, there are factors such as the portability of the contracts with merchants and the fact that Me-S has a direct interaction with its customers in its daily routines and it holds the transaction's credit risk. As a result, Me-S is the main debtor and recognizes revenue based on its gross amount and the interchange fee is recognized as cost of services provided.

2.5 Cash and cash equivalents

For purposes of the statement of cash flows, this balance includes cash and cash equivalents that are represented by cash in local currency, in foreign currency, investments in repurchase agreements, investments in interbank deposits and investments in foreign currency, with maturities equal to or less than 90 days from the investment date and with insignificant risk of change in fair value.

2.6 Interbank investments

Interbank investments are stated at cost, plus income earned through the end of the reporting period, less a provision for impairment, when applicable.

2.7 Securities

The securities acquired for own portfolio are recorded at the amount actually paid, including brokerage fees and charges, and are classified into three different categories according to the Company’s Management intent, in accordance with BACEN Circular Letter No. 3,068/01:

Trading securities

The trading securities are those acquired for the purpose of being actively and frequently traded. They are stated at cost, plus income earned and adjusted to market value in the statement of financial position, with a matching entry to profit or loss for the period;

Available-for-sale securities

The available-for-sale securities are those that are not classified as trading securities or as held-to-maturity. They are stated at cost, plus income earned with a matching entry in profit or loss for the period and adjusted to market value with a matching entry in equity, less tax effects, which will only be recognized in profit or loss upon their actual realization; and

Held-to-maturity securities

The held-to-maturity securities are those acquired for this purpose and for which there is financial ability to hold them to maturity. They are stated at cost, plus income earned with a matching entry in profit or loss for the period, and are not measured at market value.

The securities classified in the categories of trading securities and available-for-sale securities, as well as the derivative financial instruments, are stated in the consolidated statement of financial position at their estimated fair value. Generally, the fair value is based on market price quotations or market price quotations for assets or liabilities with similar characteristics. If these market prices are not available, the fair values are based on quotations from market operators, pricing models, discounted cash flows or similar techniques, for which the fair value measurement can require significant judgment or estimate by Management.

The securities are assessed to verify if there is objective evidence that a loss has occurred in their carrying amount. The objective evidence that securities have lost value may include non-payment or late payment by the counterparty, indications of bankruptcy proceedings or even a significant or prolonged decline in the value of the asset. An impairment loss on a security is recognized in the statement of profit or loss for the period if the carrying amount exceeds its recoverable amount.

Pursuant to article 7 of Bacen Circular No. 3,068 dated 11/08/2001, securities classified as for trading are stated in the statement of financial position, in current assets, irrespective of their maturity dates.

2.8 Derivative financial instruments and hedge operations

The Company enters into derivative financial instruments mainly to manage its exposure to fluctuations in exchange rates. The Company measures its derivative financial instruments based on quotations obtained from market participants, at fair value at the end of the reporting period.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifying as a cash flow hedge or a hedge of exchange differences on foreign investments are recognized as carrying value adjustments, and when qualifying, as a fair value hedge, the hedged item and the hedging instrument are recognized in the statement of profit or loss at their fair values.

The Company assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When a hedging instrument is sold, terminated, expires or is exercised, the cumulative unrealized gain or loss, which had been recognized in carrying value adjustments, is immediately reported in the statement of profit or loss. Additionally, changes in the fair value of financial instruments not qualifying as hedge or qualifying as market risk hedge are recognized in the line item of Finance income, net, in the statement of profit or loss.

2.9 Operating receivables and payables to customers

a) Operating receivables

Receivables from card-issuing banks

Refer to amounts of transactions carried out by holders of debit and credit cards issued by financial institutions, and the balances of receivables from card-issuing banks are net of interchange fees with receipt terms of less than one year.

Receivables for processed financial transactions

Refer mainly to receivables from card association members for financial transactions processed by Me-S that have been authorized but not yet received. These receivables are generally settled on the following business day.

Receivables from customers

Represent interchange and service fees for transaction processing receivable from merchants, as a result of Me-S’s practice to settle transactions at full amounts to merchants and collect these fees at the beginning of the next month.

b) Payables to customers

Payables to customers

Refer to the obligation to pay for the purchase of products and services made with cards to merchants accredited by the Company.

Payables to customers for transactions processed by Me-S

Refer to the balances due to customers for processed transactions that have not yet been paid. Me-S pays merchants the amounts received from card associations on the business day subsequent to the day the transaction is captured.

Merchant deposits

Me-S maintains funds as a security deposit to hedge against the risk of a customer going bankrupt and being unable to pay for the services provided. The amount retained from each customer is based on the risk factors associated to the customer, which include, among others, the type of business and the volume of completed transactions.

2.10 Investments

In the individual interim financial information, the investments in subsidiaries, joint ventures and associates are accounted for under the equity method of accounting, based on the equity value of the subsidiary or associate.

In the consolidated interim financial information, subsidiaries are fully consolidated and associates and joint ventures are accounted for under the equity method of accounting.

The interim financial information of foreign subsidiaries are conformed to the accounting criteria of the parent company and translated into the real currency at the period-end rate.

2.11 Property and equipment

Stated at historical cost, less accumulated depreciation and accumulated impairment losses. Depreciation is calculated under the straight-line method, based on the estimated useful lives of the assets. The estimated useful lives, residual values, and depreciation methods are reviewed on an annual basis, and the effect of any changes in estimates is accounted for on a prospective basis.

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its continued use. Any gain or loss from the sale or derecognition of an item of property and equipment is determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.12 Intangible assets

Intangible assets correspond to the rights acquired that have as object incorporeal property for the maintenance of the Company’s activities or exercised for this purpose. Intangible assets are comprised by:

Separately acquired intangible assets

Separately acquired intangible assets with finite useful lives are stated at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis, based on the estimated useful lives of the assets. The estimated useful life and amortization method are reviewed on an annual basis and the effect of any changes in estimates is accounted for on a prospective basis.

Internally generated intangible assets

Costs of research activities are recognized as expense in the period in which they are incurred. When no internally generated intangible asset can be recognized, the development costs are recognized in profit or loss when incurred.

2.13 Impairment of tangible and intangible assets

Annually, and if there is evidence, the Group reviews the carrying amount of its tangible and intangible assets to determine if there is any indication that these assets might be impaired.

Recoverable amount is the higher of the fair value less costs to sell and the value in use. If the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount, and the impairment loss is immediately recognized in profit or loss.

2.14 Goodwill

Goodwill corresponds to the amount exceeding the carrying amount of the investments acquired at fair value, arising from the expected future profitability and supported by economic and financial studies on which the purchase price of the businesses was based.

Goodwill based on expected future earnings is amortized according to the projection periods that justified it, and is subject to impairment test annually or more frequently, whenever there is indication that the cash-generating unit is impaired.

The goodwill arising from investments in subsidiaries, associate and joint ventures is included in the carrying amount of the investment in the individual financial statements. In the consolidated financial statements, the goodwill arising from the acquisition of subsidiaries is recognized in intangible assets.

2.15 Income tax and social contribution - current and deferred

Income tax and social contribution expenses represent the sum of current and deferred taxes.

Current taxes

The provision for the Company’s income tax and social contribution is calculated based on the taxable profit for the year. Income tax was calculated at the rate of 15%, plus 10% surtax on annual taxable profit exceeding R$240. Social contribution was calculated at the rate of 9% on adjusted book profit.

Deferred taxes

Deferred income tax and social contribution are recognized on the differences between assets and liabilities recognized for tax purposes and the related amounts recognized in the consolidated interim financial information. Deferred income tax and social contribution are determined based on the tax rates and laws in effect at the end of the reporting period, applicable when the income tax and social contribution are realized. The recovery of deferred tax assets is reviewed semi-annually and when it is no longer probable that future taxable profits will be available to allow the recovery of all or part of the assets, these are adjusted to their expected recoverable amount.

Current and deferred taxes are recognized in profit or loss, except when they relate to items recognized directly in equity.

When current and deferred taxes result from the initial recognition of a business combination, the tax effect is considered in the recognition of the business combination.

2.16 Employee benefits

Supplementary Pension Plan

Refers to amounts in which the Company is co-sponsor of a defined contribution pension plan. Contributions are made based on a percentage of the employee’s compensation. Payments to defined contribution plans are recognized as expense when the services that entitle to such payments are provided.

Post-employment benefit

Represents amounts in which the Company has an actuarial liability resulting from post-employment benefit, relating to the expected expenses on healthcare plan.

2.17 Provision for risks

Recognized when there is a present obligation (legal or constructive) as a result of a past event, with probable outflow of resources, and the amount of the obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the settlement amount at the end of the reporting period, taking into consideration the risks and uncertainties related to the obligation.

The recognition, measurement and disclosure of provisions, contingent assets and liabilities and legal obligations are made according to the criteria defined in CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution No. 3,823/09.

2.18 Dividends and interest on capital

The proposal for payment of dividends and interest on capital made by the Company's Management that does not exceed the minimum mandatory dividends is recognized in line item "Social and statutory" in current liabilities as it is considered a legal obligation under the Company's bylaws. However, the portion of dividends exceeding minimum mandatory dividends, when applicable, declared by Management after the accounting period to which the interim financial information refer but before the issuance of the interim financial information is authorized is recognized in line item "Additional dividends proposed" in equity. For corporate and accounting purposes, interest on capital is included in the minimum mandatory dividends.

2.19 Stock option plan and restricted stock option plan

The Company offers a stock option plan and restricted stock option plan to its officers and some of its employees. Options or shares are priced at fair value at the grant date of the plans and are recognized on a straight-line basis in profit or loss as a matching entry to equity. At the end of each reporting period, the Company reviews its estimates of the number of options/shares that will be vested based on the plan's terms and conditions and recognizes the impact of the revision of initial estimates, if any, in the statements of profit or loss, as a matching entry to equity.

3 Consolidated financial information

The consolidated financial statements include the financial information of the Company and its subsidiaries. When necessary, the subsidiaries' financial information is adjusted to conform their accounting policies to those set by the Group.

For subsidiaries and investment funds (FIDCs and FIC), the full consolidation concept was applied, which requires to account for investments in subsidiaries reflecting their total assets, liabilities, income and expenses in the parent, thus requiring the recognition of noncontrolling interests.

In the Company's individual financial statements, the financial information of subsidiaries and joint ventures is accounted for under the equity method.

As regards the FIDC, the Company consolidates the financial information of the FIDC because it believes that a significant part of the risks and rewards related to the FIDC's yield is linked to the quotas held by the Company. In the process of consolidation of the FIDC, assets and liabilities and gains and losses on transactions between the Company and the FIDC were eliminated.

In the preparation of the consolidated financial statements, further to the provisions of the Chart of Accounts of Financial Institutions (COSIF), the consolidation procedures established by Technical Pronouncement CPC 36 (R3) – Consolidated Financial Statements were applied.

As of December 31, 2019, the Group is composed of the following companies:

	Equity interest (%)		
	12/31/2019	**12/31/2018**	**Main Activities**
Direct subsidiaries and FIDCs:			
Servinet Serviços Ltda. (“Servinet”)	99.99	99.99	Provision of maintenance services and contacts with merchants for acceptance of credit and debit cards.
Cateno Gestão de Contas de Pagamentos S.A. (“Cateno”)	70.00	70.00	Provision of services in processing means of payments that involve credit, debit and multiple cards of private and prepaid brands (not including credit card management).
Cielo USA Inc, (“Cielo USA”)	100.00	100.00	Holding ownership interests in other companies as partner or shareholder.
Multidisplay Comércio e Serviços Tecnológicos S.A. (“Multidisplay”)	91.44	91.44	Provision of services in data transmission to load fixed or mobile phone credits.
Braspag Tecnologia em Pagamento Ltda. (“Braspag”)	99.99	99.99	Development and licensing of software for electronic transaction processing; IT services for collection and management of accounts payable and receivable using the Internet.
Aliança Pagamentos e Participações Ltda. (“Aliança”)	99.99	99.99	Provision of services of contacts developing and maintenance with merchants and holding of ownership interests in other companies as partner or shareholder.
Cielo Cayman Island (“Cielo Cayman”)	100.00	100.00	Holding of ownership interests in other companies as partner or shareholder. Cielo Cayman did not carry out any operational, non-operational, equity or financial activity in the year ended December 31, 2019 . The Company is in the process of winding up its operations.
Fundo de Investimento em Direitos Creditórios Não-Padronizados Cielo (“FIDC”)	100.00	100.00	Acquisition of eligible credit rights and other financial assets.
Fundo de Investimentos em Direitos Creditórios Não-Padronizados Cielo (“FIDC Plus”)	79,59	78.19	Acquisition of eligible credit rights arising from payment transactions originating from Cielo’s acquisition system and other financial assets.
Fundo de Investimento em Cotas de Fundo de Investimentos (“FIC”)	100.00	100.00	Fund for investment in financial assets with indeterminate duration
Indirect subsidiaries			
M4Produtos e Serviços S.A. (“M4Produtos”)	91.44	91.44	Provision of services in data transmission to load fixed or mobile phone, prepaid transportation, and mobile payment.
Merchant e-Solutions, Inc. (“Me-S”)	100.00	100.00	Provision of services related to electronic payments with credit or debit cards.
Stelo S.A. (“Stelo”)	100.00	100.00	Provision of services related to credit and debit cards and other means of payment, including services of signing up of merchants.
Direct joint ventures:			
Companhia Brasileira de Gestão de Serviços. (“Orizon”)	40.95	40.95	Provision of data processing services for healthcare companies, management of back office services for health operators, electronic network interconnection services between health operators and medical and hospital service providers and other health system agents and drugstores.
Paggo Soluções e Meios de Pagamento S.A. (“Paggo”)	50.00	50.00	Provision of services relating to signing up of merchants for acceptance of credit and debit cards through the capture, transmission, data processing and settlement of electronic transactions.

Indirect joint ventures:			
Prevsaúde Comercial de Produtos e de Benefícios de Farmácia Ltda. ("Prevsaúde")	40.95	40.95	Provision of medicine benefit services to corporate customers, healthcare plans, public customers, and large laboratories.
Guilher Comércio, Importação, Exportação e Distribuição de Medicamentos e Tecnologia para Saúde Ltda. ("Guilher")	40.95	40.95	Import, export, distribution, and sale of medicines and pharmaceutical raw materials, products and technology equipment for health.

4 Cash

At December 31, 2019 and December 31, 2018, the balance of cash and cash equivalents of the Company comprises the cash balances below, as well as interbank investments, investments in investment fund shares (excepting FIDC that is accounted for in securities) and bank deposit certificates ("CDB") presented in notes 5 and 6.

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Local currency	35,236	25,574	21,683	30,914
Foreign currency	24,627	11,306	210,134	403,047
Total	**59,863**	**36,880**	**231,817**	**433,961**

5 Interbank investments

As of December 31, 2019 and December 31, 2018, the Company did not have interbank investments.

	Consolidated		
	0 - 30	**Total at 12/31/2019**	**Total at 12/31/2018**
Investments in Open Market			
Debentures subject to repurchase agreements	268	268	63,545
Investments in foreign currency	255,840	255,840	172,628
Total	**256,108**	**256,108**	**236,173**

The result obtained from the investments described above is shown in note 25 – Finance income (costs).

6 Securities and derivative financial instruments (assets and liabilities)

As December 31, 2019 and December 31, 2018, the Company's and the Group's securities and derivative financial instruments balance comprises the following cash balances:

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Assets:				
Securities	8,016,611	7,261,906	2,718,932	2,232,912
Derivative financial instruments	48,580	-	48,580	-
Total	**8,065,191**	**7,261,906**	**2,767,512**	**2,232,912**
Liabilities:				
Derivative financial instruments	47,513	75,692	47,513	75,692
Total	**47,513**	**75,692**	**47,513**	**75,692**

a. Carrying amounts and classification of the portfolio by category and terms

Parent Company								
	12/31/2019						12/31/2018	
	Maturity range				Total		Total	
	0 - 30	31 - 180	181 - 365	Over 365	Fair value (*)	Cost (*)	Fair value	Cost
Available for sale								
Government securities								
Investment fund shares – FIDC	-	-	-	7,885,074	7,885,074	7,885,074	7,171,122	7,171,122
Trading securities								
Private securities								
Investment fund shares	-	-	-	121,194	121,194	121,194	82,300	82,300
Bank certificates of deposit - CDB	-	-	-	9,364	9,364	9,364	8,484	8,484
Others	-	979	-	-	979	979	-	-
Total	**-**	**979**	**-**	**8,015,632**	**8,016,611**	**8,016,611**	**7,261,906**	**7,261,906**

Consolidated								
	12/31/2019						12/31/2018	
	Maturity range				Total		Total	
	0 - 30	31 - 180	181 - 365	Over 365	Fair value (*)	Cost (*)	Fair value	Cost
Trading securities								
Government securities								
National Treasury Notes – NTN	-	-	-	33,007	33,007	33,007	-	-
Treasury financial bills - LFT	-	-	-	81,264	81,264	81,264	-	-
Trading securities								
Private securities								
Investment fund shares	-	-	-	1,941,649	1,941,649	1,941,649	1,882,672	1,882,672
Bank certificates of deposit - CDB	-	125,350	-	9,364	134,714	134,714	269,120	269,120
Others	-	979	-	527,319	528,298	528,298	81,120	81,120
Total	**-**	**126,329**	**-**	**2,592,603**	**2,718,932**	**2,718,932**	**2,232,912**	**2,232,912**

(*) The market value of the securities is determined according to the market price quotation available at the end of the reporting period. If there is no available market price quotation, the values are estimated based on distributor quotes, pricing models, quotations models or price quotes for instruments with similar characteristics. In the case of investments in investment funds, the updated cost reflects the market value of the respective shares.

The result obtained from the investments described above is shown in note 25 – Finance income (costs).

b. Investment fund in credit rights

Fundo de Investimento em Direitos Creditórios Não-Padronizados Cielo (“FIDC”) started its operations on August 5, 2016 in the form of an open-ended condominium, exclusive and for an indeterminate period. From July 31, 2017 until the regulation was amended on July 3, 2019, the fund did not operate new purchases of receivables. Fundo de Investimento em Direitos Creditórios Cielo (“FIDC Plus”) began its activities on July 28, 2017 in the form of a closed condominium, restricted to professional investors and with indefinite term. Both are governed by CMN Resolution No. 2,907/01, by CVM Instructions No. 356/01 and No. 444/06, by the terms of the Regulation, and by all other applicable legal and regulatory provisions.

Purpose of the funds

The purpose of FIDC and FIDC Plus is to provide shareholders with an appreciation of the shares through the investment of their funds mainly in credit rights arising from payment transactions made by end users using payment instruments, for purchase of goods, products and services in merchants, on Cielo’s acquisition system, complying with the other applicable rules and standards.

Other information

The yield of the senior and mezzanine shares of FIDC Plus is amortized monthly, and an extraordinary amortization of mezzanine and subordinated shares is possible, as long as the minimum subordination level is 20%. The Fitch Ratings agency assigned to senior shares the risk rating "AAA".

The credit rights of FIDC Plus are measured at the purchase price and remunerated based on the internal rate of return (TIR) of the contracts, under the pro rata temporis criterion. The internal rate is calculated based on the purchase price, amount on maturity and term for receiving the credit rights.

Structure and composition of the Funds

The equity structure of the FIDC and FIDC Plus as at December 31, 2019 is presented below:

	Number of shares	Total value of shares	Cielo's interest	Third parties' interest
FIDC - Exclusive	**57,285**	**81,830**	**81,830**	**-**
FIDC Plus	**15,629,734**	**9,803,595**	**7,803,244**	**2,000,351**
Senior	4,000,000	4,000,703	2,000,352	2,000,351
Subordinated	11,129,734	5,302,798	5,302,798	-
Mezzanine	500,000	500,094	500,094	-
Total	**15,687,019**	**9,885,425**	**7,885,074**	**2,000,351**

The statements of financial position as at December 31, 2019 and December 31, 2018 are as follows:

	12/31/2019			12/31/2018		
	Assets	**Liabilities**	**Equity**	**Assets**	**Liabilities**	**Equity**
FIDC	82,047	217	81,830	1,385	215	1,170
FIDC Plus	9,805,299	1,704	9,803,595	9,199,494	29,035	9,170,459
Total	**9,887,346**	**1,921**	**9,885,425**	**9,200,879**	**29,250**	**9,171,629**

The funds' statements of profit or loss for the years ended December 31, 2019 and 2018 are as follows:

	12/31/2019			12/31/2018		
	FIDC	**FIDC Plus**	**Total**	**FIDC**	**FIDC Plus**	**Total**
Income – Credit rights	9,380	1,162,264	1,171,644	20,469	1,584,244	1,604,713
Finance income	159	13,170	13,329	2,985	71,200	74,185
Other operating income (expenses)	(5,130)	(1,299)	(6,429)	(1,527)	(1,469)	(2,996)
Profit/(Loss) for the year	**4,409**	**1,174,135**	**1,178,544**	**21,927**	**1,653,975**	**1,675,902**

c. Hedge transactions

Hedge of market risk

The Company, upon contracting the Derivative Financial Instrument in the form of a swap operation, designated it as a hedge instrument for the US dollar borrowing in the amount of US$ 239,166, equivalent to R$ 1,000,000, matured and partially settled on August 30, 2019. On August 30, 2019, the borrowing was renewed for its remaining balance in the amount of US$ 121,000, maturing on August 27, 2020, for which a new swap operation was contracted to provide hedge against the currency risk and interest rate exposure.

The loan agreement (as described in Note 12) and the swap agreement were entered into in such a way that the comparison between the long position (receivables of the Company) of the swap and the loan balance (payables of the Company), both adjusted at fair value, does not result in losses or gains arising from the exchange differences and interest rate contracted in the hedged item.

Thus, as at December 31, 2019, the Company remained exposed only to the swap short position, which has a notional amount in reais of R$ 504,328, remunerated at 104.15% of the daily closing interbank deposit certificate (CDI) rate.

In order to document the designation strategy adopted and the effectiveness of the derivative financial instrument, the Company used the hypothetical derivative method, which is based on a comparison of change in the fair value of a hypothetical derivative with terms identical to the critical terms of the variable-rate liability, and this change in the fair value is considered as a representation of the present value of the cumulative change in the expected future cash flow of the hedged liability. Accordingly, gains and losses on the hedging instrument and the hedged item are recognized at fair value in profit or loss for the period in which they occur.

The method used by the Company to determine the market value consists in calculating the future value based on contracted conditions and determine the present value based on market curves extracted from Brazilian stock exchange B3 – Brasil, Bolsa, Balcão S.A.

As at December 31, 2019 , the position of the swap contract reflected a fair value payable of R$ 13,480 (R$ 75,692 payable as at December 31, 2018) as under:

12/31/2019							12/31/2018
Appreciation						Fair value (market value)	Fair value (market value)
Operation maturity	Notional value R$	Long position	Short position	MTM long position	MTM short position	Amount receivable / (payable)	Amount receivable / (payable)
08/27/2020	504,328	32,080	(2,178)	1,953	(45,335)	(13,480)	(75,692)

As at December 31, 2019, the hedging relationships established by the Company were effective, according to prospective tests performed. Therefore, no reversal due to ineffectiveness of the hedge was recognized.

Non-Deliverable Forward "NDF"

On January 7, 2019, the Company contracted a Financial Instrument (non-deliverable forward - NDF) and designated it as a hedge instrument for the US dollar borrowing transaction ("Bonds") in the amount of US$ 475,000, settled on July 1, 2019.

On June 28, 2019, the Company contracted two new financial instruments (NDFs) in the total amount of US$107,000, both effective July 1, 2019 and maturing on January 2, 2020 to hedge against the currency risk from the remaining portion of the Bonds. The notional value of each such instrument is US$53,500, considering forward average exchange rate of R$3.89475.

The method of calculating the market value used by the Company consists in calculating the future value based on the conditions contracted and determining the present value based on market curves.

As at December 31, 2019 , the NDF position corresponded to a fair value receivable of R$ 14,547, as under:

12/31/2019						12/31/2018
Appreciation					Fair value (market value)	Fair value (market value)
Operation maturity	**Notional value R$**	**Long position**	**Short position**	**MTM adjustment**	**Amount receivable / (payable)**	**Amount receivable / (payable)**
01/02/2020	445,591	14,547	-	-	14,547	-

On December 20, 2019, a new Non-Deliverable Forward (NDF) instrument was contracted, effective January 2, 2020, in order to provide hedge against exchange rate fluctuation on the Bonds, in the amount of USD 98 million, maturing on July 1, 2020, replacing the previous transaction, settled on January 2, 2020.

7 Other receivables – Operating receivables

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Receivables from payment transactions	284,638	372,148	875,676	885,015
Receivables from card-issuing banks	71,864,873	61,618,543	72,192,036	62,219,320
Receivables from card-issuing banks (a)	71,758,516	61,548,307	71,758,516	61,548,219
Chargeback (b)	48,099	36,843	48,099	36,843
Bank account lock service (c)	39,050	9,832	39,050	9,832
Receivables from processed financial transactions (d)	-	-	169,652	436,847
Receivables from customer interchange (e)	-	-	157,511	163,845
Others	19,208	23,561	19,208	23,734
Receivables from related parties (Nota 27)	196,893	19,457	-	-
Debtors for guarantee deposits (Note 14b)	1,586,621	1,624,223	1,596,454	1,637,377
Tax credits (Note 8b)	907,991	914,047	1,132,687	1,123,533
Taxes and contributions for offset/recoverable	130,527	59,610	489,037	392,975
Others	300,034	73,581	524,254	123,374
Provision for other doubtful debts (f)	(245,948)	(179,977)	(263,500)	(188,821)
Total	**75,025,629**	**64,501,632**	**76,546,644**	**66,192,773**
Current	72,810,916	62,266,504	74,189,077	63,501,559
Long-term	2,214,713	2,235,128	2,357,567	2,691,214
Total	**75,025,629**	**64,501,632**	**76,546,644**	**66,192,773**

(a) Correspond to amounts receivable from card-issuing banks resulting from transactions carried out with credit and debit cards made by cardholders, already net of advances from card-issuing banks. In December 2019, a transaction was performed to assign receivables from card transactions captured by the Company, with no right of recovery and no co-obligation. The amount of R$ 2,000,000 in receivables was assigned to Banco Bradesco at average rate of 109.84% of CDI. The balance of receivables from card-issuing banks is presented net of the amounts assigned.

(b) Refer basically to receivables for transactions challenged by credit card holders that are under analysis by the Parent Company at the end of the reporting period (chargeback).

(c) The Company offers to banks the bank account lock service (with prior authorization from merchants) to lock any transfer of receivables of merchants to other banks. For this service the Company receives fees that are settled in the month subsequent to such service request by the issuing banks.

(d) Receivables recognized in subsidiary Me-S relating to amounts due from card association members for processed transactions that had been authorized but not yet received by Me-S by the end of the reporting periods. These amounts receivable are usually received on the business day following the transaction capture date. Card associations send to Me-S the amounts due to merchants for processing, net of the interchange fee retained by the card-issuing banks.

(e) These are represented by the amounts receivable related to interchange fees and service fees charged for the processing of transactions receivable from merchants, a result of the practice adopted by Me-S to settle transactions for the full amounts to merchants and to collect these fees at the beginning of the following month.

(f) Refers to the provision for doubtful debts resulting from transactions of the Company with merchants, recognized based on expected losses on transactions already in arrears.

8 Income tax, social contribution and other taxes

a. Current income tax and social contribution

The effective rate of income tax and social contribution for the years ended December 31, 2019 and 2018 is as follows:

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Profit before income tax and social contribution	1,988,836	4,154,425	2,521,241	4,657,123
Statutory rates - %	34%	34%	34%	34%
Income tax and social contribution at statutory rates	**(676,204)**	**(1,412,505)**	**(857,222)**	**(1,583,422)**
Tax benefit of interest on capital	164,994	214,370	164,994	214,370
Tax benefit of R&D	10,928	16,130	10,928	16,130
Share of profit(loss) of investees	88,658	184,382	3,130	3,128
Goodwill on investment acquisition	(5,890)	(8,835)	(5,890)	(8,835)
Effect on permanent differences, net	8,829	(7,864)	(51,299)	59,132
Income tax and social contribution	**(408,685)**	**(1,014,322)**	**(735,359)**	**(1,299,497)**
Current	(395,756)	(1,039,264)	(779,151)	(1,394,404)
Deferred	(12,929)	24,942	43,792	94,907

Incentives to Cultural and Artistic Activities (“Rouanet Law”), Sports, Child and Adolescent Rights Fund, Fund for the Elderly and National Program for the Support and Health Care of Physically Disabled People (PRONAS/PCD) are recognized in line item “ Income tax expenses – current”. The tax incentives recorded as income tax expense - current, in parent company totaled R$9,465 (R$9,965 – consolidated) at December 31, 2019 and R$31,223 (R$41,563 - consolidated) at December 31, 2018.

b. Deferred income tax and social contribution

Deferred income tax and social contribution arise from temporary differences caused mainly by temporarily non-deductible provisions, and are classified in current and noncurrent assets and noncurrent liabilities, according to the expected realization of the credit.

Deferred income tax and social contribution reflect future tax effects attributable to temporary differences between the tax base of assets and liabilities and the related carrying amounts. The reported amounts are reviewed monthly.

Breakdown of deferred income tax and social contribution – Assets

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Provision for tax, labor and civil risks	601,178	590,668	607,779	597,234
Accrual for sundry expenses	206,154	249,925	326,979	364,747
Income tax and social contribution tax losses	-	-	93,678	89,955
Allowance for losses on POS equipment, doubtful debts and fraud	100,659	73,454	104,251	71,597
Total	**907,991**	**914,047**	**1,132,687**	**1,123,533**

The table below shows the realization of the tax credit:

	Parent Company				Consolidated			
	Income tax	**Social contribution**	**Total**	**Present value**	**Income tax**	**Social contribution**	**Total**	**Present value**
Within 12 months	225,598	81,215	306,813	290,021	294,479	106,012	400,491	378,572
After 12 months	442,042	159,136	601,178	568,275	538,379	193,817	732,196	692,122
Total	**667,640**	**240,351**	**907,991**	**858,296**	**832,858**	**299,829**	**1,132,687**	**1,070,694**

According to Management's best estimate, part of the tax credits recognized on the accrual for sundry expenses, allowance for losses on POS equipment, doubtful debts and fraud in the amount of R$ 306,813 (R$ 400,491 in consolidated) will be realized mainly during the next 12 months. The remaining portion, in the amount of R$ 601,178 (R$ 732,196 in the consolidated), will be realized over a period of more than 12 months and includes credits on provisions for risks, which depend of each lawsuit partially estimated in up to 5 years, except for 45.1% in parent company (41.3% in consolidated) of the provision for labor risks which is estimated to be realized in up to 10 years, according to the development of the lawsuit described in note 14.

Breakdown of deferred income tax - Liabilities recognized in foreign companies

	Consolidated	
	12/31/2019	**12/31/2018**
Temporary differences:		
Fair value of Me-S's intangible assets	6,220	7,667
Fair value of Cielo USA's intangible assets	58,349	101,391
Deferred tax liability on negative goodwill (a)	6,188	6,188
Total	**70,757**	**115,246**

(a) Deferred tax effect on negative goodwill on the acquisition of controlling interest in Stelo in September 2018.

c. Taxes payable

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Income tax and social contribution, net of prepayments	66,314	275,322	440,182	660,024
Contribution for Social Security Funding - Cofins	17,190	21,642	29,772	38,418
Tax on Services – ISS	4,522	26,184	48,270	66,176
Social Integration Program - PIS	3,496	4,714	12,953	7,406
Other taxes payable	12,853	11,858	23,088	24,220
Total	**104,375**	**339,720**	**554,265**	**796,244**

9 Investments

	Parent company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
In subsidiaries	8,761,567	8,822,765	-	-
In joint ventures and associates	126,229	119,055	126,229	119,055
Goodwill on acquisition of investments (a)	-	17,323	-	-
Total	**8,887,796**	**8,959,143**	**126,229**	**119,055**

The consolidation of the financial information for direct subsidiaries Multidisplay, Braspag and Cielo USA, as well as for indirect subsidiaries M4Produtos, Me-S and Stelo, was based on the financial information as at November 30, 2019 to calculate the investments as at December 31, 2019. Accordingly, the share of profit (loss) of investees refers to the twelve-month period ended November 30, 2019 .

The main information on direct and indirect subsidiaries and joint ventures relating to investment amounts and share of profit (loss) of investees recorded in the individual and consolidated financial statement is shown in the table below:

	% Equity Interest	Assets	Liabilities	Equity	Net revenue	Gross profit (loss)	Operating profit (loss) before finance income (costs)	Profit (loss)	Share of profit (loss) of investees for the year	Investments
		12/31/2019							12/31/2019	
Subsidiaries:										
Servinet	99.99	105,950	84,045	21,905	286,541	282,956	16,212	10,952	10,951	21,905
Multidisplay (i)	91.44	154,665	90,867	63,798	1,088,170	58,322	34,758	27,969	25,575	59,745
Braspag	99.99	62,383	29,383	33,000	52,004	29,929	18,114	12,197	12,196	33,000
Cielo USA (ii)	100.00	825,540	1,687,306	(861,766)	-	(107,416)	(125,923)	(148,904)	(148,904)	-
Cateno (iv)	70.00	12,989,690	762,119	12,227,571	2,773,299	1,100,045	911,712	677,789	474,452	8,559,300
Aliança	99.99	289,726	202,109	87,617	5,426	5,515	(122,902)	(122,720)	(122,718)	87,617
Subtotal									**251,562**	**8,761,567**
Joint ventures:										
Orizon (iii)	40.95	355,641	33,031	322,610	149,774	50,805	16,243	22,550	9,234	126,229
Paggo (ii)	50.00	243	340	(97)	-	-	(56)	(56)	(28)	-
Subtotal									**9,206**	**126,229**
Total Parent Company									**260,758**	**8,887,796**
Indirect subsidiaries :										
M4Produtos	91.44	208,749	181,632	27,117	126,011	70,232	27,939	18,747	17,142	24,796
Me-S	100.00	847,726	399,638	448,088	1,903,514	378,463	(29,456)	(15,505)	(15,505)	448,088
Stelo	100.00	579,385	294,759	284,626	181,536	(44,252)	(99,589)	(123,150)	(123,150)	284,626
Indirect joint ventures :										
Prevsaúde	40.95	16,191	1,565	14,626	8,162	5,530	4,551	3,958	1,621	5,989
Guilher	40.95	11,292	9,195	2,097	6,040	976	162	689	282	859

(i) The investment held by Cielo includes adjustment to the equity of subsidiary Multidisplay due to the special goodwill reserve generated in the corporate restructuring process in which Servrede was merged into its then subsidiary Multidisplay.

(ii) At December 31, 2019, Cielo USA and Paggo had negative equity (capital deficit), for this reason the investment amount was reclassified to Other payables - sundry.

(iii) The amount of R$5,880 is not reflected in the investment because it refers to the unrealized gain on capital contribution with goodwill initially reflected in CBGS Ltda, and transferred to indirect subsidiary CBGS as a result of the merger. In November 2009, CBGS was merged into its then subsidiary Orizon.

(iv) Cateno's balance of assets is mainly comprised of the right to use the Ourocard payment arrangement.

	12/31/2018									
	% Interest	**Assets**	**Liabilities**	**Equity**	**Net revenue**	**Gross profit (loss)**	**Operating profit (loss) before finance income (costs)**	**Profit (loss)**	**Share of profit (loss) of investees for the year**	**Investments**
Subsidiaries:										
Servinet	99.99	103,619	64,223	39,396	173,550	170,910	9,721	7,502	7,502	39,396
Multidisplay (i)	91.44	112,645	48,321	64,324	579,224	28,688	27,798	26,361	24,105	60,226
Braspag	99.99	46,787	5,311	41,476	41,382	24,559	10,468	7,796	7,796	41,476
Cielo USA (ii)	100.00	983,063	1,665,801	(682,738)	-	(99,507)	(58,566)	(16,819)	(16,819)	-
Cateno (iv)	70.00	12,910,720	704,371	12,206,349	2,677,329	1,098,773	973,844	717,566	502,296	8,544,444
Aliança	99.99	162,168	24,945	137,223	4,675	4,734	14,645	8,743	8,743	137,222
Subtotal									**533,623**	**8,822,764**
Joint ventures:										
Orizon (iii)	40.95	333,784	28,693	305,091	142,865	46,689	15,373	21,256	8,704	119,055
Paggo (ii)	50.00	299	340	(41)	-	-	22,344	(56)	(28)	-
Subtotal									**8,676**	**119,055**
Total Parent Company									**542,299**	**8,941,819**
Indirect subsidiaries:										
M4Produtos	91.44	145,041	111,216	33,825	126,920	74,321	32,748	22,793	20,842	30,930
Me-S	100.00	1,347,694	848,644	499,050	1,853,108	411,335	31,777	40,942	40,942	499,050
Stelo	100.00	314,277	196,444	117,833	20,993	(3,525)	(42,228)	(28,250)	523	117,833
Indirect joint ventures:										
Prevsaúde	40.95	16,709	1,355	15,354	8,903	6,450	5,628	4,974	2,037	6,287
Guilher	40.95	13,341	11,933	1,408	7,144	430	(529)	430	176	577

(i) The investment held by Cielo includes adjustment to the equity of subsidiary Multidisplay due to the special goodwill reserve generated in the corporate restructuring process in which Servrede was merged into its then subsidiary Multidisplay in the amount of R$16,439.

(ii) At December 31, 2018, Cielo USA and Paggo had negative equity (capital deficit), for this reason the investment amount was reclassified to Other payables - sundry.

(iii) The amount of R$5,880 is not reflected in the investment because it refers to the unrealized gain on capital contribution with goodwill initially reflected in CBGS Ltda, and transferred to indirect subsidiary CBGS as a result of the merger. In November 2009, CBGS was merged into its then subsidiary Orizon.

(iv) Cateno's balance of assets is mainly comprised of the right to use the Ourocard payment arrangement.

Changes in investments for the year ended December 31, 2019 and 2018 are as follows:

	Parent Company	Consolidated
Investment at December 31, 2017	**8,811,562**	**120,500**
Recognition of provision for obligations with investees (*)	10,320	(10,644)
Dividends received:		
Multidisplay	(27,446)	-
Cateno	(486,608)	-
Capital contribution – Aliança	135,000	-
Share of profit(loss) of investees	542,299	9,199
Goodwill amortization	(25,984)	-
Investment at December 31, 2018	**8,959,143**	**119,055**
Recognition of provision for obligations with investees (*)	148,934	28
Dividends received:		
Braspag	(20,673)	-
Multidisplay	(26,056)	-
Orizon	(2,060)	(2,060)
Servinet	(25,000)	-
Cateno	(459,598)	-
Share of profit (loss) of investees	260,758	9,206
Goodwill amortization	(17,323)	-
Capital payment – Aliança	73,114	-
Other effects on subsidiaries equity	(3,443)	-
Investment at December 31, 2019	**8,887,796**	**126,229**

(*) Refers to a negative equity investment recognized under Other Requirements - Provisions for investment obligations.

10 Property and equipment

		Parent Company			
		12/31/2019			**12/31/2018**
	Annual depreciation rate-%	**Cost**	**Accumulated depreciation**	**Net**	**Net**
POS equipment (a)	20	1,835,361	(1,105,789)	729,572	433,466
Data processing equipment	20	182,158	(121,843)	60,315	45,674
Machinery and equipment	10 - 20	28,410	(23,811)	4,599	4,849
Facilities	10	48,899	(20,613)	28,286	32,555
Furniture and fixtures	10	11,152	(5,250)	5,902	7,309
Vehicles	20	1,548	(70)	1,478	-
Total		**2,107,528**	**(1,277,376)**	**830,152**	**523,853**

		Consolidated			
		12/31/2019			**12/31/2018**
	Annual depreciation rate-%	**Cost**	**Accumulated depreciation**	**Net**	**Net**
POS equipment (a)	20	1,836,173	(1,106,226)	729,947	433,833
Data processing equipment	20	234,497	(165,538)	68,959	56,394
Machinery and equipment	10 - 20	54,794	(38,790)	16,004	17,132
Facilities	10	108,332	(43,046)	65,286	60,994
Furniture and fixtures	10	20,345	(9,771)	10,574	12,441
Vehicles	20	1,548	(70)	1,478	-
Total		**2,255,689**	**(1,363,441)**	**892,248**	**580,794**

(a) **Change in annual depreciation rate of POS equipment (from 33% to 20% p.a.)** - In 2019, there was change in expected useful live of POS equipment from 3 to 5 years. After a study conducted by Management, the Company concluded that the items composing its installed POS equipment are used for 5 years on average.

Changes in property and equipment for the year ended December 31, 2019 and 2018 are as follows:

	Parent Company				
	12/31/2018	**Additions**	**(Disposals/Estimated Losses)**	**Depreciation**	**12/31/2019**
POS equipment	433,466	484,427	(17,761)	(170,560)	729,572
Data processing equipment	45,674	36,720	(118)	(21,961)	60,315
Machinery and equipment	4,849	2,025	(39)	(2,236)	4,599
Facilities	32,555	569	-	(4,838)	28,286
Furniture and fixtures	7,309	100	(354)	(1,153)	5,902
Vehicles	-	1,548	-	(70)	1,478
Total	**523,853**	**525,389**	**(18,272)**	**(200,818)**	**830,152**

	12/31/2017	**Additions**	**(Disposals/Estimated Losses)**	**Depreciation**	**12/31/2018**
Total	**463,595**	**352,656**	**(11,774)**	**(280,624)**	**523,853**

	Consolidated					
	12/31/2018	**Additions**	**(Disposals)**	**Depreciation**	**Exchange differences**	**12/31/2019**
POS equipment	433,833	484,834	(17,881)	(170,830)	(9)	729,947
Data processing equipment	56,394	41,210	(125)	(28,854)	334	68,959
Machinery and equipment	17,132	4,209	(262)	(5,477)	402	16,004
Facilities	60,994	14,802	(21)	(10,489)	-	65,286
Furniture and fixtures	12,441	536	(379)	(2,036)	12	10,574
Vehicles	-	1,548	-	(70)	-	1,478
Total	**580,794**	**547,139**	**(18,668)**	**(217,756)**	**739**	**892,248**

	12/31/2017	**Additions**	**(Disposals)**	**Depreciation**	**Exchange differences**	**12/31/2018**
Total	**512,596**	**371,724**	**(11,941)**	**(294,919)**	**3,334**	**580,794**

As at December 31, 2019 and 2018, estimated losses on POS equipment amount to R$32,380 and R$24,418, respectively.

11 Intangible assets

The breakdown of intangible assets is as follows:

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Goodwill on acquisition of investments	-	-	5,974	28,583
Other intangible assets	562,734	420,389	10,964,782	11,218,695
Total	**562,734**	**420,389**	**10,970,756**	**11,247,278**

a. Goodwill on acquisition of investments

As at December 31, 2019 and December 31, 2018, the goodwill on acquisition of investments in subsidiaries is recognized in line item “Intangible assets” in the consolidated statement of financial position, broken down as follows:

	Consolidated	
	12/31/2019	**12/31/2018**
Multidisplay (a)	5,974	25,799
Braspag (b)	-	2,784
Total	**5,974**	**28,583**

(a) **Acquisition of control - Multidisplay:** In August 2010, the Company acquired through its direct subsidiary Servrede, 50.1% of the shares representing the capital of Multidisplay, for R$ 50,650, generating initial goodwill of R$ 31,348. In the corporate restructuring process carried out in 2012, Servrede was merged into its then subsidiary Multidisplay, the tax benefit on goodwill of R$ 10,658 was merged into Multidisplay and the remaining goodwill of R$ 20,690 was re-established in the Company, as provided for in CVM Instructions No. 319/99 and No. 349/01.

The tax benefit is amortized according to its realization and the goodwill was amortized over the period of the study of projections of future results that justified it.

(b) **Acquisition of control – Braspag** - In May 2011, the Company acquired, through its then direct subsidiary CieloPar, 100% of the shares of Braspag, for R$ 40,000. The amount of the investment recorded until then by CieloPar included goodwill on acquisition of shares of R$ 39,343. In the restructuring process carried out in 2012, CieloPar was merged into its then subsidiary Braspag. The tax benefit on goodwill of R$ 13,377 was merged into Braspag and the remaining goodwill of R$ 25,966 was re-established in the Company as provided for in CVM Instructions No. 319/99 and No. 349/01. The tax benefit is amortized according to its realization and the goodwill was amortized over the period of study of projections of future results that justified it.

Changes in goodwill in the years ended December 31, 2019 and 2018 are as follows:

	Consolidated
Balance at December 31, 2017	**57,668**
Tax benefit on goodwill	(3,101)
Amortization of goodwill for the period	(25,984)
Balance at December 31, 2018	**28,583**
Tax benefit on goodwill	(5,276)
Amortization of goodwill for the period	(17,323)
Balance at December 31, 2019	**5,974**

b. Other intangible assets

The breakdown of other intangible assets is as shown below:

		Parent Company			
		12/31/2019			12/31/2018
	Annual amortization rate - %	**Cost**	**Accumulated amortization**	**Net**	**Net**
Software	20	996,660	(497,290)	499,370	420,262
Relationship with customers	20	78,949	(15,585)	63,364	127
Total		**1,075,609**	**(512,875)**	**562,734**	**420,389**

		Consolidated			
		12/31/2019			12/31/2018
	Annual amortization rate - %	**Cost**	**Accumulated amortization**	**Net**	**Net**
Right to use Ourocard Payment-Arrangement (a)	3.33	11,572,000	(1,864,377)	9,707,623	10,093,356
Software (b)	6.66 - 20	1,589,544	(928,915)	660,629	675,508
Relationship with customers (c)	4 - 20	1,015,981	(590,076)	425,905	257,251
Project development (d)	20	306,788	(152,573)	154,215	157,978
Non-compete agreement (e)	7.5 - 50	173,691	(163,503)	10,188	25,480
Service agreements (f)	8 - 20	31,935	(25,787)	6,148	9,048
Trademarks (g)	10	74	-	74	74
Total		**14,690,013**	**(3,725,231)**	**10,964,782**	**11,218,695**

(a) **Right to Use Ourcard Payment Arrangement** - Under the scope of the association agreement between the Company and BB Elo Cartões, a wholly-owned subsidiary of Banco do Brasil, in February 2015 Cateno was granted rights over post-paid payment accounts management activities under the Ourocard Payment Arrangement, rights over the management of the purchase functionalities through debit under the Ourocard Payment Arrangement, and participation in the Ourocard Payment Arrangement as a Payment Institution. By means of an Economic and Financial Appraisal Report issued by an independent auditing firm and prepared based on a Future Profitability method using a discounted cash flow, the rights under the above-described Ourocard Payment Arrangement were valued at R$11,572,000 with a 30-year finite useful life. The intangible assets are amortized under the straight-line method at a rate of 3.33% per year. The useful life and amortization method are reviewed annually.

(b) **Software -** refers to software licenses acquired from third parties and used to provide services relating to information processing and business transactions with customers. Additionally, in 2012, when 100% of Me-S's capital stock was acquired, the fair value adjustment of the software platform was recognized in Cielo USA in the amount of R$223,300 (equivalent to US$110,000). The independent appraisal firm engaged to issue the appraisal report measured the software platform's fair value using the average of the values obtained from applying the Relief-from-Royalty (at a 16% royalty fee) and Cost Approach - Third-party Cost Estimates methodologies. The useful life defined for this software platform is 12 years.

(c) **Relationship with customers:**

- **Braspag -** The main component of intangible assets is the customers portfolio, which was appraised using the "Income Approach" methodology, considering the balance of active customers and the respective churn rate, using estimated useful life of 120 months.
- **Me-S -** Me-S customers portfolio was classified in three main groups: "e-commerce", "bank customer" and "B2B/Other". Each portfolio was assessed separately using the "Excess Earnings" methodology, considering their specific and individual characteristics. As discount rate, 10% per year was used for "e-commerce" and "bank customer" portfolios, and 11% for "B2B/Other". The estimated useful life was based on the years in which each portfolio reaches approximately 80% to 90% of the accumulated amount of the discounted cash flow. An interval between the lowest and the highest values obtained was adopted.
- **Subsidy on Sale of Transaction Capture Solutions** – Corresponds to the subsidy paid by the Company and its subsidiary (Stelo) on sale of POS equipment to merchants and represents expected future profitability with customers, after the sale of said equipment, being recognized along the estimated average useful life of 15 months.

(d) **Project development -** refers to expenses on development of new products or services designed to increase the Company's and its subsidiaries' invoicing and revenues.

(e) **Non-compete agreement:**

- **Multidisplay and M4Produtos -** Non-compete agreement ("with and without") value was calculated using the "Income Approach" methodology, with discount rate of 17.5% per year, perpetuity of 4% per year and estimated useful life of 89 months.
- **Me-S -** Me-S entered into an agreement with Synovus Financial Corporation, under which no competition shall exist in relation to the portfolio acquired from Columbus Bank and Trust Company ("CB&T") and any new customers acquired through CB&T as a result of the Recommendation Agreement. The fair value of this agreement was estimated using the "With and Without" methodology, while its useful life was defined to be the expiration date of the agreement.

(f) **Service agreements:**

- **Multidisplay and M4Produtos -** the four service agreements with telecommunication operators were measured based on the discounted cash flow of each agreement, by using a discount rate of 16.5% per year, during the residual life of each agreement, of approximately 53 months.
- **Me-S -** when Me-S acquired CB&T's customer portfolio, it entered into an agreement under which it would have preference in referring new customers. The fair value of this agreement was estimated based on the "Excess Earnings" methodology, and its useful life was defined to be the expiration date of the agreement, that is, 2020.

(g) **Trademarks (Cateno and Braspag) –** estimated using the "Relief-from-Royalty" methodology, having as assumption a royalty fee of 0.3% based on parameters obtained from the "Royalty Source Intellectual Property Database", and a discount rate of 10%.

Changes in intangible assets for the years ended December 31, 2019 and 2018 are as follows:

	Parent Company				
	12/31/2018	**Additions**	**(Disposals)/ Reversals**	**Amortizations**	**12/31/2019**
Software	420,262	197,509	(21)	(118,380)	499,370
Relationship with customers	127	77,996	-	(14,759)	63,364
Total	**420,389**	**275,505**	**(21)**	**(133,139)**	**562,734**

	12/31/2017	**Additions**	**(Disposals)/ Reversals**	**Amortizations**	**12/31/2018**
Total	**383,702**	**136,224**	**(3,776)**	**(95,761)**	**420,389**

	Consolidated					
	12/31/2018	**Additions**	**(Disposals)/ Reversals**	**Amortizations**	**Exchange differences**	**12/31/2019**
Right to use Ourocard Payment-Arrangement	10,093,356	-	-	(385,733)	-	9,707,623
Software	675,508	168,930	(744)	(180,767)	7,016	669,943
Relationship with customers	257,251	382,432	-	(222,730)	8,952	425,905
Project development	157,978	13,799	-	(28,797)	1,921	144,901
Non-compete agreement	25,480	-	-	(16,767)	1,475	10,188
Service agreements	9,048	371	-	(1,825)	(1,446)	6,148
Trademarks	74	-	-	-	-	74
Total	**11,218,695**	**565,532**	**(744)**	**(836,619)**	**17,918**	**10,964,782**

	12/31/2017	**Additions**	**(Disposals)/ Reversals**	**Amortizations**	**Exchange differences**	**12/31/2018**
Total	**11,505,385**	**272,215**	**(19,799)**	**(637,126)**	**98,020**	**11,218,695**

Expenses on depreciation of property and equipment and amortization of intangible assets were recognized in “General and administrative expenses” and “Cost of services provided” in the statement of profit or loss.

12 Borrowings

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Private debentures (a)	3,402,483	3,414,717	3,402,483	3,414,717
Public debentures (b)	2,978,983	-	2,878,841	-
Working capital (c)	350,064	-	350,064	-
Long-term financing - "ten-year bonds" (d)	389,450	1,824,423	2,018,414	3,388,832
Borrowing in foreign currency - Operation 4131 (e)	483,420	925,379	483,420	925,379
Financing of R&D	112,413	134,049	112,413	134,049
Total	**7,716,813**	**6,298,568**	**9,245,635**	**7,862,977**
Current	917,685	1,032,941	918,337	1,033,618
Noncurrent	6,799,128	5,265,627	8,327,298	6,829,359
Total	**7,716,813**	**6,298,568**	**9,245,635**	**7,862,977**

(a) Private debentures

On February 27, 2015, the Parent Company conducted the first, second and third single series, simple, unsecured, nonconvertible debenture private placement issues. The three issuances totaled R$3,459,449 with maturity date on December 30, 2023. The private debentures’ yield includes interest based on the cumulative percentage change between 100.00% and 111.00% of the average daily interest rate of the DI, as applicable, as shown in the table below:

	Principal	**Remuneration**
1st issuance	2,359,449	111% of DI
2nd issuance	700,000	100% of DI until 3/31/2015 and 111% of DI after 3/31/2015
3rd issuance	400,000	100% of DI from the payment date to the day of removal from office of the “Transition Committee”, or until the end of the nine-year period counted from the base date to be defined in the amendment to the Debenture Indenture, In case of any of the events, interest will be based on 111% of DI.

Interest will be paid on a semiannual basis as at the issuance date, except for the last accrual period that will be shorter as it will start on August 27, 2023, and will end with payment on the maturity date together with the principal amount. Exceptionally on March 27, 2015, the principal amount of R$122,324 related to the 1st issuance of private debentures was partially paid. There are no covenants imposing financial restrictions related to the financial transaction of issuance of Private Debentures.

(b) Public Debentures

In June 2019, the Company issued the 5th issue of single debentures, in a single series, unsecured, not convertible into shares and for public distribution in accordance with CVM Instruction No. 476. The issue was made in the amount of R$ 3,000,000, maturing on June 18, 2022. The amount of R$ 3,000,000 was fully allocated to the reorganization of the Company’s debts.The remuneration of the Public Debentures includes remuneration interest based on the cumulative percentage variation of 103.8% of the average daily interest rate of

DI - Interbank Deposits. The costs directly related to the debenture issue process (banks, auditors and lawyers' fees) were recorded in liabilities and are posted to profit or loss based on their term, using the amortized cost method..

The debentures are subject to covenants pursuant to which the Company must keep Net Debt/Consolidated Adjusted EBITDA ratio equal to or lower than 3, measured on a quarterly basis.

(c) Working capital

In March 2019, the Company started to raise funds for working capital through CCB (Bank Credit Bill) and other short-term credit lines at rates from 104.3% to 108.6% of CDI (Interbank Deposit Certificate) with average term of 16 days. In the year ended December 31, 2019, the outstanding balance was R$ 350 million.

(d) Long-term financing - Ten-year bonds

In November 2012, the Company and its subsidiary Cielo USA completed a financial transaction whereby bonds were issued in the total amount of US$875 million, of which US$470 million were issued by the Company and US$405 million were issued by subsidiary Cielo USA. The amount raised by Cielo USA was used to pay the acquisition of control of Me-S. The proceeds raised by the Company were used to increase its working capital. The financing obtained is subject to an interest rate of 3.75% per year. Interest is paid on a semiannual basis and principal will be paid in November 2022. Costs directly associated with the issuance of these bonds (banks, auditors and attorney's fees) were recognized in liabilities and are being allocated to profit or loss over the term of the agreement, based on the amortized cost method. There are no covenants imposing financial restrictions related to the financial transaction of issuance of bonds.

In June 2019, there was partial buy-back of the portion of the Bonds issued by the Company, amounting to US$372.9 million, the remaining balance payable being US$97 million - Parent Company and US$ 405 million - Cileo USA.

(e) Operation 4,131

The Company has a credit line with MUFG Bank, LTD to raise in dollar to the equivalent of R $ 500,000. The contract is valid for one year and can be renewed in August of each year. In conjunction with the aforementioned loan, the Company contracts a swap to hedge against fluctuations related to exchange rate variations, with a liability equivalent to the daily average interest rate.

On August 30, 2019, the operation with MUFG Bank, LTD ("MUFG") was renewed in the amount of US$ 121,000, equivalent to R$ 504,328, which includes fixed interest of 2.135% p.a. for the period from 08/30/2019 to 02/27/2020 and 2.235% p.a. for the period from 02/28/2020 until maturity of the operation on 08/27/2020. In addition, the Company contracted a financial instrument (Swap) to hedge this borrowing against exchange rate and interest rate fluctuations, with the short position considering all transaction costs equivalent to 104.15% of the average daily DI interest rate. Interest and said financial instrument are to be paid on 11/27/2019, 02/27/2020, 05/27/2020 and 08/27/2020, the latter together with the balance of loan principal.

The loans obtained from MUFG Bank, Ltd have covenants that oblige the Company to maintain the Net Debt / Consolidated Adjusted EBITDA ratio equal to or less than 3, measured annually.

The Company and its subsidiaries were compliant with the financial ratio related to the covenants of its borrowings described above.

Changes in borrowings for the years ended December 31, 2019 and 2018 are as follows:

	Parent Company	Consolidated
Balance at December 31, 2017	**7,911,224**	**9,245,353**
New borrowings	1,000,000	1,000,000
Payment of principal	(3,039,583)	(3,039,583)
Exchange differences (on principal and interest)	468,623	698,462
Mark-to-market adjustment	1,491	1,491
Accrued interest and charges	396,831	454,987
Interest paid	(441,260)	(498,975)
Amortization of debt issuance costs	1,242	1,242
Balance at December 31, 2018	**6,298,568**	**7,862,977**
New borrowings	18,588,738	18,488,597
Payment of principal	(17,182,343)	(17,182,565)
Exchange differences (principal and interest)	54,970	121,829
Mark-to-market adjustment	(1,863)	(1,863)
Accrued interest and charges	423,508	483,421
Interest paid	(441,540)	(503,536)
Debt issuance costs incurred	(37,883)	(37,883)
Amortization of debt issuance costs	14,658	14,658
Balance at December 31, 2019	**7,716,813**	**9,245,635**

Breakdown of borrowings recorded in noncurrent liabilities

Borrowings classified as noncurrent as at December 31, 2019 by maturity date are broken down as follows:

Year of maturity	Parent Company	Consolidated
2021	22,556	22,556
2022	3,414,141	4,946,199
2023	3,359,681	3,359,681
2024	22,556	22,556
Total borrowings	**6,818,934**	**8,350,992**
Debt issuance costs	(19,806)	(23,694)
Total	**6,799,128**	**8,327,298**

13 Other payables – Sundry - Payables to customers

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Payables to customers (a)	62,805,144	52,878,277	63,086,626	52,878,277
Payables to merchants (b)	-	-	201,943	607,416
Merchant deposits (c)	-	-	125,392	145,894
Total	**62,805,144**	**52,878,277**	**63,413,961**	**53,631,587**

(a) Refer to the amounts of merchant acquiring transactions for products and services using credit and debit cards payable to merchants, Company customers, net of compensation for the services rendered by Cielo and card issuing banks,

(b) Amount payable to merchants – Refer to amounts payable by subsidiary Me-S to its merchants for acquiring transactions captured and processed up to the reporting date, These amounts are settled on the business day following that of transaction capture,

(c) Escrow deposits by customers – Subsidiary Me-S requires escrow deposits by customers in case of losses on any amounts challenged by card holders (chargeback) due to fraud in the transaction or bankruptcy of merchant,

In addition to the services of payments of the amounts transacted in credit and debit cards to merchants, the Company also guarantees accredited merchants that they will receive the amounts from credit card transactions, Based on the immaterial amount of the Company's history of losses due to default from card-issuing banks and the current credit risks of these institutions, the Company estimates that the fair value of the guarantees provided to merchants is not material and, therefore, is not recognized as a liability.

14 Provisions, contingent assets and contingent liabilities

a. Provision for tax, civil and labor risks

The Company and its subsidiaries are parties to lawsuits and administrative proceedings before courts and government agencies, arising in the normal course of business and involving tax, labor, civil and other matters.

Management, based on information from its legal counsel, on the analysis of pending lawsuits and past experience on the amounts claimed in labor, civil and tax lawsuits, recognized a provision in an amount considered sufficient to cover probable future cash disbursements on pending lawsuits in the years ended December 31, 2019 and 2018, as follows:

	Parent Company					
	12/31/2018	**Additions (a)**	**Write-offs/ reversals (b)**	**Inflation adjustment**	**Payments (c)**	**12/31/2019**
Tax	1,615,018	67,978	-	8,224	-	1,691,220
Civil	40,783	35,778	(19,926)	4,205	(12,032)	48,808
Labor	99,431	16,557	(30,189)	3,687	(22,640)	66,846
Total	**1,755,232**	**120,313**	**(50,115)**	**16,116**	**(34,672)**	**1,806,874**
	12/31/2017	**Additions (a)**	**Write-offs/ reversals (b)**	**Inflation adjustment**	**Payments (c)**	**12/31/2018**
Total	**1,724,985**	**93,236**	**(55,557)**	**6,693**	**(14,125)**	**1,755,232**

	Consolidated					
	12/31/2018	**Additions (a)**	**Write-offs/ reversals (b)**	**Inflation adjustment**	**Payments (c)**	**12/31/2019**
Tax	1,623,633	73,813	(1,885)	8,223	-	1,703,784
Civil	42,075	36,552	(20,657)	4,232	(12,033)	50,169
Labor	116,489	18,952	(37,082)	4,114	(23,356)	79,117
Total	**1,782,197**	**129,317**	**(59,624)**	**16,569**	**(35,389)**	**1,833,071**
	12/31/2017	**Additions (a)**	**Write-offs/ reversals (b)**	**Inflation adjustment**	**Payments (c)**	**12/31/2018**
Total	**1,741,317**	**107,015**	**(58,412)**	**7,312**	**(15,035)**	**1,782,197**

(a) Refer mainly to the increase in the provision for tax risks for the year ended December 31, 2019, relating to taxes with suspended payment, recorded as an offsetting entry to "Taxes on services" and "Other operating expenses, net", and other additions to the provision for civil and labor risks, represented by new lawsuits and changes in the assessment of the likelihood of loss made by the legal counsel, which were recorded as an offsetting entry to "Other operating expenses, net", in the statement of profit or loss,

(b) Mainly represented by the reversal of the provision for civil and labor risks due to elapsing of the allowed time to start legal proceedings, settlement of lawsuits or change in the risk of loss as assessed by the Company's and its subsidiaries' legal counsel,

(c) In the year ended at December 31, 2019 , the Company and its subsidiaries, whether due to court agreements or unfavorable decisions, settled 4.375 civil and labor lawsuits, totaling R$ 34,672.

Tax lawsuits

The balances below refer to the provision for tax risks, arising from diverging interpretation by tax authorities, and related escrow deposits:

	Parent Company		Consolidated	
Main tax lawsuits	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Noncumulative Cofins (a)	1,517,142	1,517,142	1,517,142	1,517,142
ISS (LC 157/16) (b)	20,732	19,744	26,073	19,744
PIS/COFINS on PIS/COFINS (c)	21,329	2,868	21,329	2,868
Amazon Investment Fund -FINAM (d)	18,408	17,398	18,408	17,398
ISS on PIS/COFINS (e)	13,702	8,587	13,702	8,587
Social contribution on Net Income (CSLL) 2002 (f)	10,895	10,895	10,895	10,895
Negative balance of IRPJ of the calendar year 2008 (g)	7,045	7,045	7,045	7,045
Others	81,967	31,339	89,190	39,954
Total	**1,691,220**	**1,615,018**	**1,703,784**	**1,623,633**

	Parent Company		Consolidated	
Escrow deposits - Main tax lawsuits	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Noncumulative Cofins (a)	1,517,142	1,517,142	1,517,142	1,517,142
Social Contribution on Net Income - CSLL 2002 (c)	10,895	10,895	10,895	10,895
Negative balance of IRPJ of the calendar year 2008 (d)	7,045	7,045	7,045	7,045
Others	19,069	19,923	25,120	23,356
Total	**1,554,151**	**1,555,005**	**1,560,202**	**1,558,438**

(a) **Cofins - Non-cumulative Regime -** the Company filed a writ of mandamus in February 2004, seeking to eliminate the demand for Cofins under the Law at a rate of 7.6%, making a deposit in court for the amounts calculated on a monthly basis and recording the difference between the cumulative and non-cumulative regimes as provision for risks, In May 2017, after the judgment of Extraordinary Appeal No, 570,122 / RS - with general repercussion recognized in relation to the matter raised and outcome unfavorable to the Taxpayers -, the Company decided to stop making deposits in court, starting to collect taxes and to benefit from the deductibility referred to in Decree No, 3,000/99 and Normative Ruling No, 1,700/17, The writ of mandamus, however, remains awaiting a decision at a higher court for a final settlement of the dispute, as a result of the judgment not yet published in the records of the Extraordinary Appeal, As at December 31, 2019 , the amount of the provision for risks recognized and the amount of the escrow deposit is R$ 1,517,142, in parent company and consolidated.

(b) **ISS (LC 157/16) -** As amended by Supplementary Law No. 157/16, the Tax on Services of Any Nature ("ISS") became due as from January 2018 in the municipality where commercial establishments, borrowers of payment services, are domiciled. In March 2018, however, the effectiveness of the first article of LC No. 157/16 was suspended as a result of an injunction granted by the Federal Supreme Court ("STF"). In view of the legal uncertainty caused by the new legislation while it was in force, the Company set up a provision for risks in relation to the alleged amount due to the other municipalities of the Federation. As of December 31, 2019, the amount of the provision for risks is R$ 20,732.

(c) **PIS/COFINS on PIS/COFINS** - In October 2018, the Company filed a writ of mandamus requesting an injunction seeking the suspension of the payment of credit arising from the inclusion of the contribution to PIS and COFINS in their respective calculation bases. The injunction was granted in November 2018, with the suspension of the enforceability of the contributions declared and, since then, the Company has been constituting a provision for the corresponding amount, pending a final decision. As of December 31, 2019, the amount of the provision for risks is R$ 21,329.

(d) **Amazonas Investment Fund - FINAM -** In 2007, the Company received a tax assessment notice related to the calendar year 2002, fiscal year 2003, The Federal Revenue of Brazil alleges the non-filing of the Request for Revision of Order of Issuance of Tax Incentives - PERC within the required deadlines and, therefore, does not recognize the portion of Corporate Income Tax (IRPJ) for FINAM, The administrative proceeding is pending judgment of the Company's voluntary appeal by the Administrative Board of Tax Appeals – CARF, As at December 31, 2019 , the amount of the provision for risks recognized is R$ 18,408.

(e) **ISS on PIS/COFINS -** In April 2017, the Company filed a writ of mandamus requesting an injunction seeking the exclusion of the amount corresponding to the ISS from the PIS and COFINS calculation basis. The injunction was granted in June 2017, and the suspension of the payment of contributions has been declared, and since then the Company has been constituting a provision for the corresponding amount, pending a final decision. As of December 31, 2019, the amount of the provision for risks is R$ 13,702.

(f) **Social Contribution on Net Income - CSLL 2002** - In 2007, a tax assessment notice was issued against the Company to require CSLL (adjustment share) for calendar year 2002, plus a fine of 75% and interest on late payment, as well as a fine of 50%) on the amounts of "estimates" of CSLL that would not have been paid, After the maintenance of the tax assessment notice at the administrative sphere, in July 2011, the Company opted for a judicial discussion, The full amount of the tax credit is deposited in court and is being contested in a writ of annulment, distributed in August 2011, In the first judicial instance, a judgment was rendered dismissing the annulment action, Currently, the process awaits judgment of the company's appeal, As at December 31, 2019 , the amount of the provision for risks recognized is R$ 10,895 and the amount of the escrow deposit is R$ 10,895.

(g) **Negative IRPJ Balance of Calendar Year 2008 -** In 2009, the parent company offset the negative IRPJ balance of calendar year 2008 for tax debts owed in 2009 upon filing of the Offset Return (PER / DCOMP), When analyzing the aforementioned offset return in 2012, the Brazilian Federal Revenue Office did not approve the tax credit and, consequently, issued Decision Order No, 022405395. In January 2013, the parent company filed an Ordinary Tax Debt Annulment Action, at the Civil Court of the Judicial Branch of Osasco / SP, with the purpose of demonstrating and proving the credit of negative balance of calendar year 2008, The full amount of the tax credit is deposited in court, As at December 31, 2019 , the amount of the provision for risks recognized is R$ 7,045 and the amount of the escrow deposit is R$ 7,045.

In addition, in December 2018, a tax assessment notice was issued against the Company claiming payment of PIS and Cofins at the rate of 9,25% on revenues from the purchase of receivables ("ARV"), for calendar years 2014 and 2015, in the total amount of R$ 693,637, Based on the opinion of the Company's legal advisors, the risk of loss was assessed as remote.

The Company's Management, based on the opinion of its legal advisors, estimates that the actual disbursement of provisions for tax risks will occur in up to 5 years and understands that the development of the lawsuits will depend on external factors not under the Company's control.

Civil lawsuits

Refer basically to collection of transactions made through the Company's system that were passed on to merchants in view of noncompliance with clauses of the accreditation contract, and compensation for losses caused by transactions not passed on at that time. As at December 31, 2019, the provision for probable losses on civil lawsuits totals R$48,808 in parent company and R$ 50,169 in consolidated (R$ 40,783 in parent company and R$ 42,075 in consolidated as at December 31, 2018), and the escrow deposit balance is R$ 4,104 in parent company and R$ 4,164 in consolidated (R$ 11,473 in parent company and R$ 11,487 in consolidated as at December 31, 2018).

Based on the opinion of its legal counsel, Management of the Company and its subsidiaries estimates that the actual disbursement of the mentioned provision for civil risks will occur within 5 years and understands that the development of the lawsuits will depend on external factors not under the Company's control.

Additionally, as at December 31, 2019 , the Company is a party to public civil lawsuits and civil inquiries, most of them filed by the Public Prosecutor's Office or associations, whose intention is to defend collective interests (such as consumers' rights and labor rights), Court decisions may grant rights to groups of people (even without their consent), In many situations, the group's decision on availing a favorable outcome will only be made after the final decision.

Labor lawsuits

Refer to labor lawsuits that, as at December 31, 2019, included 709 claims against the Company and 76 against the subsidiaries, totaling 785 claims (538 claims against the Company and 61 against the subsidiaries, totaling 599 claims as at December 31, 2018). Of these claims as at December 31, 2019, 246 were filed by former employees (204 claims as at December 31, 2018) and the remaining 539 (395 as at December 31,2018) were filed by employees of subcontractors, some of whom claiming the recognition of an employment relationship.

The chances of unfavorable outcome on labor lawsuits are assessed based on the content of the claim, the evidence presented and the history of loss on similar lawsuits. In general, labor claims refer to salary equalization, overtime differences, labor effects from annual bonus, differentiated union membership, recognition of employment relationship and pain and suffering.

As at December 31, 2019 , the provision for probable losses on labor lawsuits is R$ 66,846 in parent company and R$ 79,117 in consolidated (R$ 99,431 in parent company and R$ 116,335 in consolidated as at December 31, 2018), and the balance of escrow deposits is R$28,366 in parent company and R$ 32,088 in consolidated (R$ 57,745 in parent company and R$ 67,452 in consolidated as at December 31, 2018).

Based on the opinion of its legal counsel, Management of the Company and its subsidiaries estimates that the actual disbursement of 58.7% of the mentioned provision for labor risks will occur within 5 years, and 41.3% within 10 years, and understands that the development of the lawsuits will depend on external factors not under the Company's control.

Possible loss

At December 31, 2019 , the Company and its subsidiaries are parties to tax, civil and labor lawsuits assessed by their legal counsel as possible likelihood of losses, for which no provision was recognized, as follows:

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Tax	140,052	139,617	192,463	149,268
Civil	221,007	206,592	228,879	207,633
Labor	55,293	91,575	69,545	107,839
Total	**416,352**	**437,784**	**490,887**	**464,740**

b. Escrow deposits

In the years ended December 31, 2019 and 2018, the Company and its subsidiaries have escrow deposits related to the provision for tax, labor and civil risks, broken down as follows:

	Parent Company			
	12/31/2018	**Additions**	**Write-offs**	**12/31/2019**
Tax	1,555,005	-	(854)	1,554,151
Civil	11,473	4,794	(12,163)	4,104
Labor	57,745	11,932	(41,311)	28,366
Total	**1,624,223**	**16,726**	**(54,328)**	**1,586,621**
	12/31/2017	**Additions**	**Write-offs**	**12/31/2018**
Total	**1,610,072**	**14,269**	**(118)**	**1,624,223**

	Consolidated			
	12/31/2018	**Additions**	**Write-offs**	**12/31/2019**
Tax	1,558,438	2,618	(854)	1,560,202
Civil	11,487	4,840	(12,163)	4,164
Labor	67,452	22,436	(57,800)	32,088
Total	**1,637,377**	**29,894**	**(70,817)**	**1,596,454**
	12/31/2017	**Additions**	**Write-offs**	**12/31/2018**
Total	**1,621,861**	**15,651**	**(135)**	**1,637,377**

15 Equity

a. Issued capital

Capital as at December 31, 2019 is R$5,700,000 (R$ 5,700,000 as at December 31, 2018) represented by 2,716,815,061 common shares, all of them subscribed and paid in.

As mentioned in note 16, the number of shares net of treasury shares as at December 31, 2019 is 2,712,719,487 (2,714,233,626 shares as at December 31, 2018).

The Company’s capital can be increased by up to 2,400,000,000 additional common shares, regardless of any amendments to bylaws, at the discretion of the Board of Directors, which has the power to establish the share issue price, the terms and conditions for subscription and payment of shares up to the limit of the authorized capital.

b. Capital reserve

Represents share-based payment costs and goodwill on subscription of shares related to capital contributions by shareholders exceeding the amount allocated to capital formation.

The capital reserve balance as at December 31, 2019 is R$ 65,658 (R$ 71,255 as at December 31, 2018).

c. Treasury shares

In a meeting held on February 20, 2019, the Board of Directors approved new plans of the Stock Option Plan of the Company ("Plan"), under which the Company can acquire a total of up to 2,170,000 (two million, one hundred and seventy thousand) common shares, of which those up to 1,100,000 (one million one hundred thousand) common shares may be acquired in the first Plan with a term of validity from March 1, 2019 to March 10, 2019, and up to 1,070,000 (one million and seventy thousand) shares may be acquired in the second Plan with term of validity from August 1, 2019 and August 10, 2019. In addition, these acquisitions of shares issued by the Company are limited to the available "Capital Reserve" balance calculated during the fiscal year in compliance with articles 1 and 12 of CVM Instruction 10/80.

Additionally, at a meeting held on August 21, 2019, the Board of Directors approved the complementary acquisition of 400,000 (four hundred thousand) common shares, effective from September 2, 2019 to September 10, 2019.

The Company's Management is responsible for defining the timing and the number of shares to be acquired, within authorized limits.

Changes in treasury shares are as follows:

	Shares	**Amount**	**Average cost R$ per share**
Balance at December 31, 2018	(2,581,435)	(50,578)	19.59
Repurchase in March	(1,100,000)	(11,758)	16.93
Sale in March	224,533	3,802	16.93
Sale in April	196,866	3,333	16.93
Sale in July	584,175	9,892	16.93
Repurchase in August	(1,070,000)	(8,247)	14.67
Repurchase in September	(363,000)	(2,824)	13.72
Sale in September	561	8	13.72
Sale in October	12,726	174	13.72
Balance at December 31, 2019	**(4,095,574)**	**(56,198)**	**13.72**

d. Carrying value adjustments

Represent cumulative adjustments for translation into the foreign currency of the foreign investments. The balances below reflect cumulative adjustments at the end of the reporting period, as follows:

	12/31/2019	**12/31/2018**
Exchange differences on foreign investments	29,499	59,622
Post-employment benefits	(16,783)	-
Total	**12,716**	**59,622**

e. Earnings reserve - legal

It is set up on the basis of 5% of profit calculated at the end of the period, pursuant to article 193 of Law No, 6,404/76, up to the limit of 20% of share capital. The balance of the legal reserve as at December 31, 2019 is R$ 1,128,753 (R$ 1,049,745 as at December 31, 2018).

f. Earnings reserve - capital budget

In the Board of Directors' meeting held on January 28, 2019, the Financial Statements for the year ended December 31, 2018 were appreciated and approved as recommended by the Audit Committee. Then the Financial Statements were appreciated by the Supervisory Board, which recommended their approval at the Annual General Meeting, and on April 18, 2019, said financial statements were approved by the Company's shareholders at the General Shareholders' Meeting.

At the Board of Directors' meeting held on January 27, 2020, the financial statements and the proposed capital budget for the year ended December 31, 2019 were presented and approved, which will be submitted for approval to the Ordinary Shareholders' Meeting to be held on April 17, 2020. The capital budget proposal is justified by the need to increase working capital and cash available, which will increase financial stability and robustness, with a view to (a) investing in quotas of the Company's Credit Rights Investment Fund, thus enabling the promotion of sales receivables acquisition transactions ("ARV") and the growth of the "Payment in 2 days" product; and (b) the repurchase of shares issued by the Company, under the terms and up to the limit permitted by CVM Instruction 567. The capital budget reserve complemented by profit for the year 2019, after deducting the amounts allocated to set up the legal reserve and dividend distribution, totals R$ 2,616,425 at December 31, 2019 (R $ 1,824,726 at December 31, 2018).

g. Dividends and interest on capital

Under the Company's bylaws, shareholders are entitled to a mandatory minimum dividend of 30% of the profits earned (after the recognition of the legal reserve) at the end of each financial year.

The allocation of the remaining balance of the profit for the year will be decided at the AGM. At year-end, the Company recognizes the provision for the minimum dividend that has not yet been distributed during the year up to the limit of the aforementioned mandatory minimum dividend. Under the bylaws, the Company may prepare semiannual or shorter period statements of financial position and, in accordance with the limits provided for in applicable law, the Board of Directors may approve the distribution of dividends from the profit account. The Board of Directors may also propose interim dividends from the existing profit account based on the latest statement of financial position approved by the shareholders.

At the Board of Directors' meetings held on March 20 and April 23, 2019, payment of interest on capital and dividends was approved, amounting to R$ 147,800 and R$ 216,973, respectively, *ad referendum* of the Ordinary Shareholders 'Meeting, together aggregating R$ 364,773 or 70% of profit, after constitution of the legal reserve for 1Q19, which were paid on June 27, 2019.

At the meetings held on June 24 and July 23, 2019, the Company's Board of Directors approved, ad referendum of the Ordinary Shareholders' Meeting, the distribution of interest on capital and dividends for 2Q19, in the amount of R$ 136,100 and R$ 7,194, respectively, which were paid on September 27, 2019.

At the meetings held on September 19, 2019 and October 29, 2019, the Company's Board of Directors approved, ad referendum of the Ordinary Shareholders' Meeting, the distribution of interest on capital for 3Q19, in the amount of R$ 120,100, which was paid on November 18, 2019.

At the meetings held on December 20, 2019 and January 27, 2020, the Company's Board of Directors approved, ad referendum of the Ordinary Shareholders' Meeting, the distribution of interest on capital for 4Q19, in the amount of R$ 81,276, which will be paid on February 13, 2020. The approved amounts, net of tax withholdings, represent 30% of profit, after setting up legal reserve for 4Q19.

h. Regulatory capital

Central Bank Circular Letter No, 3,681/13 requires accredited payment institutions to maintain permanently equity adjusted by profit or loss accounts in an amount corresponding to at least 2% of the average monthly amount of the payment transactions processed by the institution in the last twelve months.

At December 31, 2019 , the Company maintains the required minimum regulatory capital.

16 Earnings per share

a. Change in the number of common shares

Shares issued	**Common**
Shares at December 31, 2018	2,714,233,626
Repurchase of shares – March	(1,100,000)
Repurchase of shares – August	(1,070,000)
Repurchase of shares – September	(363,000)
Exercise of stock options:	
March	224,533
April	196,866
July	584,175
September	561
October	12.726
Total	**2,712,719,487**

b, Earnings per share

The following tables reconcile the profit and the weighted average number of outstanding shares with the amounts used to calculate the basic and diluted earnings per share.

Basic earnings per share

	Parent Company and Consolidated	
	12/31/2019	**12/31/2018**
Profit for the period available for common shares	1,580,151	3,140,103
Weighted average number of outstanding common shares (in thousands)	2,712,719	2,714,234
Earnings per share (in R$) – basic	**0.58250**	**1.15690**

Diluted earnings per share

	Parent Company and Consolidated	
	12/31/2019	12/31/2018
Profit for the period available for common shares	1,580,151	3,140,103
Diluted denominator:		
Weighted average number of outstanding common shares (in thousands)	2,712,719	2,714,234
Potential increase in common shares as a result of the stock option plan	3,894	2,696
Total (in thousands)	2,716,614	2,716,930
Earnings per share (in R$) – diluted	**0.58166**	**1.15575**

17 Net operating revenue

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Gross operating revenue	5,897,986	7,206,746	12,497,853	12,907,475
Taxes on services	(597,306)	(756,338)	(1,150,548)	(1,221,636)
Total	**5,300,680**	**6,450,408**	**11,347,305**	**11,685,839**

The gross operating revenue is derived from the capture, transmission, processing and financial settlement of the transactions made with credit and debit cards, management of payment accounts related to Ourocard Payment Arrangement, rental of POS equipment, and provision of services in data transmission to load fixed or mobile phone credits.

18 Expenses by nature

The Company elected to present the consolidated statement of profit or loss classified by function,

The breakdown of cost of services provided and net operating expenses by nature is as follows:

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Personnel expenses	(459,486)	(443,993)	(971,693)	(811,542)
Depreciation and amortization	(351,280)	(402,369)	(1,071,,698)	(958,040)
Professional services	(531,100)	(391,921)	(292,968)	(232,627)
Acquiring costs (a)	(2,424,699)	(2,232,640)	(5,405,785)	(4,962,869)
Sales and marketing (b)	(300,968)	(283,019)	(540,200)	(518,559)
Costs of mobile phone credits in subsidiaries (c)	-	-	(1,029,792)	(551,486)
Others, net of PIS and COFINS credits	46,452	2,759	106,252	19,485
Total	**(4,113,985)**	**(3,751,183)**	**(9,418,388)**	**(8,015,638)**
Classified as:				
Cost of services provided	(2,637,562)	(2,506,458)	(7,252,208)	(6,242,672)
Personnel expenses	(289,046)	(272,118)	(717,126)	(571,626)
General and administrative expenses	(508,868)	(393,661)	(445,928)	(360,325)
Sales and marketing	(300,968)	(283,019)	(540,200)	(518,559)
Other operating expenses, net	(377,541)	(295,927)	(462,926)	(322,456)
Total	**(4,113,985)**	**(3,751,183)**	**(9,418,388)**	**(8,015,638**

(a) Acquiring costs are mainly represented by expenses on logistics and maintenance of POS equipment, supplies to merchants, customer registration and service, telecommunication services, and capture and processing of transactions.

(b) Sales and marketing expenses include campaigns for trademark development, advertising and publicity, internal marketing, sales incentives to partners and issuing banks, and commercial actions for new customers registration.

(c) Refer to the cost of the product sold related to the credit minutes for cell phones sold by the direct subsidiary Multidisplay.

19 Other operating expenses, net

Represented by:

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Allowance for doubtful debts, chargeback and fraud (a)	(306,772)	(246,600)	(375,983)	(275,326)
Provision for risks, net (b)	(71,913)	(57,609)	(81,677)	(66,121)
Write-offs and provision (reverseals) for loss on property and equipment (c)	(16,041)	(13,565)	(16,041)	(13,565)
Others	17,185	21,847	10,775	32,557
Total	**(377,541)**	**(295,927)**	**(462,926)**	**(322,455)**

(a) Losses from fraud refer to operating losses resulting from amounts of sales that are challenged by cardholders and that have already been settled to merchants.
(b) Provision for risks is related to the movement of provision for contingencies, mainly in relation to the setting up of provision for tax contingencies (note 14).
(c) Losses on property and equipment refer the write-down for losses on POS equipment as well as the set up of provision for such losses.

20 Commitments

The Company is primarily engaged in the capture, transmission, processing and financial settlement of transactions made using credit and debit cards, In order to conduct said activities, the Company entered into the following agreements:

a. Lease agreements

As at December 31, 2019 , future annual payments under lease agreements in effect are as follows:

Up to 1 year	180,290
1 year to 5 years	67,368
After 5 years	4,012
Total	**251,670**

Most agreements specify a penalty for termination equivalent to three-month rent, and a partial return can be negotiated for each case.

b. Suppliers of telecommunications, technology (processing of transactions), logistics services, call center and back office

As at December 31, 2019 , based on contracts in effect, the minimum commitments with suppliers of technology, telecommunications, logistics services, call center, back office and telesales are as follows:

Up to 1 year	127,534
1 year to 5 years	96,508
Total	**224,042**

The transaction capture and processing contracts, as well as the telecom and back office contracts, do not provide for penalty for termination.

21 Employee benefits

Post-employment benefits

The Company has an actuarial liability arising from post-employment benefits, relating to estimated expenses on healthcare plan, the amount provisioned for these expenses at December 31, 2019 is R$ 34,410 (R$8,548 at December 31, 2018).

Pension Plan

The Company and its subsidiary Servinet contribute monthly to a defined contribution pension plan (“PGBL”) for their employees, and contributions made during the year ended December 31, 2019 amounted to R$ 9,183 (R$ 7,445 in the year ended December 31, 2018), recognized in line items “Cost of services provided” and “Personnel expenses”.

Other benefits

In addition to the supplementary pension plan, the Company and its subsidiaries offer their employees other benefits, including: health insurance, dental assistance, life and personal accident insurance, professional training and a long-term incentive plan, which involve expenses totaling R$ 88,806 in the year ended December 31, 2019 (R$ 58,619 in the year ended December 31, 2018).

The Company has a Corporate Education Program that aims to leverage learning, ensuring the mapping and the dissemination of key knowledge through practical and educational activities that encourage the creation, acquisition, dissemination, use and sharing of knowledge, focusing on business results. In addition, in the Company, actions are developed for all employees, for example, leadership development, e-learning, contract training, on-demand training, continued education and languages. The costs related to the actions described are recognized in profit or loss when incurred.

22 Profit sharing

The Company and its subsidiaries pay profit sharing to their employees and officers, subject to the achievement of operational goals and specific objectives established and approved at the beginning of each fiscal year.

The shares of employees and officers in profit for the years ended December 31, 2019 and 2018 were as follows:

	Parent Company		**Consolidated**	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Employees	65,146	58,219	102,499	83,995
Statutory directors	14,018	8,197	15,606	9,265
Total	**79,164**	**66,416**	**118,105**	**93,260**

23 Compensation of key management personnel

Key management personnel include the members of the Board of Directors and the statutory directors, Expenses recognized in Parent Company's profit or loss for the periods are as follows:

	12/31/2019			12/31/2018		
	Fix	**Others(*)**	**Total**	**Fix**	**Others(*)**	**Total**
Statutory Directors	8,232	15,340	23,572	6,725	9,428	16,153
Board of Directors	2,776	-	2,776	2,594	-	2,594
Total	**11,008**	**15,340**	**26,348**	**9,319**	**9,428**	**18,747**

(*) Balance corresponds to variable remuneration and severance pay of statutory directors and not including the stock option plan (see note 24).

Management (Board of Executive Officers, Board of Directors and including advisory committees) and the Supervisory Board overall compensation in 2019, set at the Annual General Meeting held on April 18, 2019, was R$49,000 (R$ 47,000 for the year ended December 31, 2018), already considering the taxes and contributions levied thereon, as prescribed by the prevailing laws.

For the Supervisory Board, the annual compensation approved for 2019 and the year ended December 31, 2018 was R$515.

24 Stock option plan and restricted shares plan

At the Extraordinary General Meeting held on June 1, 2009, the shareholders approved the stock option plan relating to the Company's common shares, effective for ten years from the date of the first grant to beneficiaries.

Within the limit of the authorized capital, the Company may grant shares or stock options or subscription of shares to its officers, employees and natural persons that provide services to the Company, as well as to officers and employees of other companies that are directly or indirectly controlled by the Company. Stock options or restricted stock options may be granted, in a manner that the dilution of the share capital does not exceed, at any time, during the effective period of the plan, 0.3% per year. The beneficiaries of the plan will be defined annually or in a periodicity considered convenient by the Board of Directors.

At the Extraordinary General Meeting held in April 2011, the shareholders approved changes to the Plan, introducing the possibility of eligible beneficiaries electing stock option plan, restricted stock option plan or a combination of both plans, and the exercise of the options and/or restricted shares can be made 50% after two years and 50% after three years.

On April 18, 2019, an Extraordinary Shareholders' Meeting was held to approve the Restricted Stock Option plan, effective for ten years from the date of the first grant to beneficiaries. The granted plan started to have phased grace period in four portions, namely, 25% after one year, 25% after two years; 25% after three years and 25% after four years. For employees, exceptionally in 2019, that the first two installments will be paid in cash, according to the amount established in the grant (the effects in 2019 of said installments are disclosed in note 21), and the last two in restricted shares.

At meetings of the Board of Directors held on June 22, 2011, June 20, 2012, June 19, 2013, June 25, 2014, June 24, 2015, June 29, 2016, June 28, 2017,June 20, 2018 and June26, 2019, the Directors approved the fourth, fifth, sixth, seventh, eighth, ninth, tenth, eleventh and twelfth grants of stock options relating to common shares and/or restricted shares, respectively.

At a meeting of the Board of Directors held on February 29, 2012, the Directors approved the annual retention plan for the Company's executive officers and talents under the "Restricted Shares" plan, named "*Sócio Cielo"*. The purpose of this program is to minimize the risk of loss of Company's officers and also increase their commitment to long-term results, The *Sócio Cielo* program from 2012 to 2016 lasted two years. In 2017, the program started to have phased grace period in three portions; namely, 33% after one year, 33% after two years and 33% after three years, Transfer of the shares is conditional upon permanence of the executives at the Company.

At meetings of the Board of Directors held on February 26, 2014, February 25, 2015, January 27, 2016, January 26, 2017, February 23, 2018 and January 23, 2019 the Directors approved the plans Sócio Cielo 2014, 2015, 2016, 2017, 2018 and 2019 - "*Restricted shares*", granted in March of the same years.

As at December 31, 2019 , the position of the stock option plan and restricted stock option plan was as follows:

	Number of shares				
Grant date	**Granted**	**Cancelled**	**Exercised**	**Balance**	**Fair value of options (R$ per share)**
July 2017	828,878	(531,941)	(67,226)	229,711	23.26
March 2018	437,187	(98,043)	(157,754)	181,390	25.32
July 2018	901,888	(624,143)	(43,362)	234,383	16.77
March 2019	995,372	-	(101,973)	893,399	10.89
July 2019	2,419,297	(63,902)	-	2,355,395	6.73
Total	**5,582,622**	**(1,318,029)**	**(370,315)**	**3,894,278**	

From 2015, the Company elected to use the binomial model for the pricing of its options.

The fair value of the options and shares is being recognized in the statement of profit or loss with a matching entry to the capital reserve on a straight-line basis over up to 36 months (for the "*Sócio Cielo"* plans of 2017, 2018 and 2019 and restricted stock option plan of 2016, 2017 and 2018) and 48 months (for the restricted stock option plan of 2019).

In the year ended December 31, 2019, a provision of R$ 11,612 was recognized, net of charges (R$ 24,062 as at December 31, 2018), with a matching entry in line item "Personnel expenses". Of this amount, the portion corresponding to Statutory Directors amounts to R$ 9,039, net of charges (R$ 7,616 as at December 31, 2018).

1,018,861 shares in the amount of R$ 17,209 for the year ended December 31, 2019 (1,133,644 shares in the amount of R$ 15,427 for the year ended December 31, 2018) were exercised, and the total balance of stock options granted recorded in line item "Capital Reserve" in equity as at December 31, 2019 was R$ (5,597) (R$ 8,635 as at December 31, 2018).

25 Finance income (costs)

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Finance income:				
Interest on financial investments	29,200	142,316	177,002	344,148
Other finance income	4,837	2,872	12,486	16,518
PIS and COFINS (b)	(1,588)	(6,766)	(7,703)	(12,414)
Total	**32,449**	**138,422**	**181,785**	**348,252**
Finance costs:				
Interest and charges on borrowings	(480,217)	(407,671)	(568,715)	(467,245)
Third-party interest – FIDC Plus	-	-	(119,653)	(128,525)
Interest on provision for risks	(15,630)	(7,113)	(18,563)	(9,463)
Other finance costs	(21,962)	(21,750)	(31,807)	(33,671)
Total	**(517,809)**	**(436,534)**	**(738,738)**	**(638,904)**
Yield from interest in FIDC:				
Purchase of receivables (a)	1,058,892	1,547,405	1,172,253	1,604,741
PIS and COFINS (b)	(49,238)	(71,954)	(49,238)	(71,954)
Total	**1,009,654**	1,475,451	**1,123,014**	**1,532,787**
Exchange differences, net	17,089	(264,438)	17,057	(264,422)
Total	**541,383**	**912,901**	**583,118**	**977,712**

(a) In parent company, the balance refers to the yield on the shares of FIDC Plus, In consolidated, the balance refers to the purchase of receivables net of pro rata temporis adjustment, comprising income from receivables relating to cash and installment sales transactions carried out by the parent company, by the FIDC Plus, recognized according to the maturity date of the transactions.

(b) Expenses on Pis and Cofins on finance income earned by the Group companies, at the rates of 0,65% and 4%, respectively, The expenses incurred in the period were recognized as “Finance Income” and “Purchase of Receivables”, in the proportion of their levy, for better presentation of the line items.

26 Financial instruments

The estimated realizable values of the Group’s financial assets and liabilities were determined using available market inputs and appropriate valuation methodologies, However, considerable judgment was required to interpret market inputs and then develop the most appropriate realizable value estimates, Accordingly, estimates presented herein are not necessarily indicative of the amounts that could be realized in the market, The use of different market methodologies may have a significant effect on the estimated realizable values.

These financial instruments are managed through operating strategies that aim at obtaining liquidity, profitability and safety, The control policy consists of ongoing monitoring of the contracted rates compared to market rates, The Group does not make investments for speculative purposes, either in derivatives or in other risk assets.

a. Capital risk management

The Group manages its capital to ensure that its companies can continue as going concerns, and at the same time maximize the return to all their stakeholders by optimizing the debt and equity balance.

The Group’s capital structure consists of its equity and net debt (borrowings less cash, interbank investments, derivative financial instruments and marketable securities).

Cielo maintains minimum equity, in accordance with the BACEN regulations, corresponding to 2% of the monthly average of the payment transactions (see note 15), There is no requirement to maintain minimum equity for the other Group companies.

From the granting of the authorization to operate as a Payment Institution by the BACEN on April 27, 2017, the parent company Cielo is subject to compliance with the regulations, which include, but are not limited to, risk management, minimum equity and compliance with requirements similar to those applicable to a Financial Institution.

The indebtedness ratio at the end of the reporting period is as follows:

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Debt (i)	(7,716,813)	(6,298,568)	(9,245,635)	(7,862,977)
Derivative financial instruments (ii)	1,067	(75,692)	1,067	(75,692)
Cash and cash equivalents	59,863	36,880	231,817	433,961
Financial investments	-	-	256,108	236,173
Securities (except FIDC)	131,537	90,784	2,718,932	2,232,912
Net debt	**(7,524,346)**	**(6,246,596)**	**(6,037,711)**	**(5,035,623)**
Equity (iii)	9,467,355	9,364,270	13,139,680	13,030,274
Net debt ratio	**79.48%**	**66.71%**	**43.95%**	**38.65%**

(i) Debt is defined as short- and long-term borrowings, as mentioned in note 12.
(ii) Derivative financial instruments comprise the swap and NDF contracts positions, mentioned in note 6.
(iii) Equity includes the entire share capital and the Group’s reserves, managed as capital.

b. Credit risk

In Cielo’s operations of merchant acquiring, the primary risk refers to the possibility of default of card issuers, which are required to transfer to Cielo the amounts charged relating to transactions carried out by holders of the cards issued by them, so that Cielo can make the payment of such amounts to accredited merchants. There is also a residual risk for the Company relating to the possible default of the card holders with the issuer in a situation of default.

These primary and residual risks may or may not exist for Cielo, depending on the risk/guarantee model adopted by the card brand in its operation with the card issuers and accredited institutions.

Each brand has its own guarantee system, which is specified in its regulations. Considering the variation of the guarantee model and the risk level of the accrediting entities, the Company assesses and manages such risks according to the model of each brand, requiring or waiving the provision of guarantees, In accordance with BACEN Circular Letter No. 3,682/13, the brands (denominated “payment institutions” in the relevant regulation), submitted their respective regulations for the appreciation of the BACEN, which are currently under analysis. Therefore, the Company’s credit risk may change, depending on the brands’ regulations to be approved and disclosed.

There is also, for the Company, risk of losses on chargeback on operations of purchase of receivables (ARV) with accredited merchants, especially those that make deferred sales (with future delivery of products and/or services). To mitigate this risk, the Company adopts risk analysis and control procedures that prevent the merchant from advancing the full amount available in its financial schedule with the Company and its subsidiaries.

In its operations, the Company is also exposed to the risk with affiliated Sub-acquirers, as they may not pass on to their affiliated merchants the amounts received from Cielo relating to card transactions, Such risk is mitigated by the provisions in the document of adhesion to the agreement of accreditation to the Cielo system, which provides that Sub-acquirers assume responsibility for passing on the amounts to their affiliates, exempting Cielo from any liability. The Company also adopts risk assessment and control procedures that prevent Sub-acquirers from accelerating receipt of all the amounts receivable from the Company. In addition, the Company may request guarantees, such as bank guarantee, federal government securities and escrow deposits, as applicable in order to mitigate its risk.

The Company has rights subject to credit risk with financial institutions recorded in line items cash, interbank investments, securities, derivative financial instruments and receivables from card-issuing banks, totaling R$79,942,414 in parent company and R$75,448,550 in consolidated (R$ 68,841,637 in parent company and R$ 65,046,674 in consolidated at December 31, 2018).

		Parent Company		Consolidated	
	Notes	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Cash and cash equivalents	4	59,863	36,880	231,817	433,961
Interbank investments	5	-	-	256,108	236,173
Securities	6	8,016,611	7,261,906	2,718,932	2,232,912
Derivative financial instruments	6	1,067	(75,692)	1,067	(75,692)
Receivables from card issuing banks	7	71,864,873	61,618,543	72,192,036	62,219,320
Total		**79,942,414**	**68,841,637**	**75,399,960**	**65,046,674**

c. Fraud risk

The Company uses an antifraud system to monitor transactions with credit and debit cards, which detects and identifies suspected fraud at the time of the authorization and sends an alert message to the card-issuing bank for it to contact the cardholder.

d. Transactions with derivative financial instruments

Policy on the use of derivatives

According to the internal policy, the Company’s finance income (costs) must arise from the generation of cash from its activities rather than from gains in the financial market. Accordingly, it considers that derivatives should only be used to hedge against potential exposures arising from the risks to which it is subject, without speculative purposes. The offsetting entry to a derivative transaction should be an unhedged asset or liability.

The criterion adopted for definition of the notional value of the derivatives is linked to the amount of the debt and/or assets exposed to risks.

e. Foreign exchange rate risk

The exposures to foreign exchange rate risks are managed according to parameters established by normative instruments approved by the Group.

The Company carries certain transactions in foreign currency, which comprise transactions carried out by foreign credit card holders in merchants based in Brazil (the transaction between card holder and merchant is made in local currency, but the issuer settles it to the Company in foreign currency) and foreign-currency denominated borrowings. The Company has hedging structures that consist of US dollar sale at previously established dollar rate and derivative instruments, which significantly reduce the currency risk.

On August 31, 2012, the Company acquired the control of Me-S through its holding Cielo USA, both located in the United States of America, whose transactions are conducted in the functional currency, the US dollar, The result of exchange rate changes on these investments at December 31, 2019 and 2018 amounted to loss of R$ 30,123 and loss of R$ 89,397, respectively. This exchange variation was recognized in comprehensive income, directly in shareholders' equity.

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollar fluctuations.

The sensitivity analysis includes only monetary items outstanding and denominated in foreign currency and adjusts their translation at the end of each reporting period for a change of 10%, 25% and 50% in exchange rates. The sensitivity analysis includes borrowings from third parties when they are denominated in a currency different from that of the creditor or debtor.

As at December 31, 2019 and 2018, estimating an increase or decrease by 10%, 25% and 50% in exchange rates, there would be an increase or decrease in profit or loss and equity, in thousands of Brazilian reais (R$), as follows:

	12/31/2019					
	Parent Company			Consolidated		
	Probable scenario 10%	Possible scenario 25%	Remote scenario 50%	Probable scenario 10%	Possible scenario 25%	Remote scenario 50%
Profit or loss (i)	2,578	6,446	12,892	127,337	318,342	636,683
Equity (i)	111,222	278,054	556,108	236,184	590,460	1,180,921

	12/31/2018					
	Parent Company			Consolidated		
	Probable scenario 10%	Possible scenario 25%	Remote scenario 50%	Probable scenario 10%	Possible scenario 25%	Remote scenario 50%
Profit or loss (i)	125,337	313,342	626,684	123,209	308,023	616,046
Equity (i)	125,103	312,757	625,513	381,069	952,673	1,905,346

(i) Refers mainly to the exposure of balances receivable and payable in US dollars at the end of each reporting period.

f. Interest rate risk on financial investments

The Company’s results of operations are subject to significant fluctuations resulting from financial investments with floating interest rates.

Pursuant to its financial policies, the Company has invested its resources in first-tier banks. The Company operates with financial instruments within the limits of approval established by Management.

g. Liquidity risk

The Group manages the liquidity risk by maintaining appropriate reserves, bank and other credit facilities to raise new borrowings that it considers appropriate, based on an ongoing monitoring of budgeted and actual cash flows, and the combination of the maturity profiles of financial assets and liabilities.

h. Interest rate sensitivity analysis - Financial investments and borrowings

Income from financial investments and interest on the Company's borrowings are mainly affected by the variations in DI rate (source: Cetip). As at December 31, 2019, the balances exposed to variations in DI rate referring to financial investments and securities (excepting FIDC) and cash are R$ 191,400 (R$ 127,664 at December 31, 2018) in parent company and R$ 3,207,924 (R$ 2,827,354 at December 31, 2018) in consolidated; and borrowings of R$6,731,530 (R$ 3,414,717 at December 31, 2018) in parent company and R$6,631,388 (R$3,414,717 at December 31, 2018)in consolidated for borrowings. Estimating an increase or a decrease of 10%, 25% or 50% in interest rates would increase or decrease revenues or expenses as follow:

	Parent Company					
	12/31/2019			12/31/2018		
	Probable scenario 10%	Possible scenario 25%	Remote scenario 50%	Probable scenario 10%	Possible scenario 25%	Remote scenario 50%
Financial investments	2,920	7,300	14,600	14,232	35,579	71,158
Borrowings	(37,178)	(92,946)	(185,892)	(35,328)	(88,319)	(176,638)

	Consolidated					
	12/31/2019			12/31/2018		
	Probable scenario 10%	Possible scenario 25%	Remote scenario 50%	Probable scenario 10%	Possible scenario 25%	Remote scenario 50%
Financial investments	17,700	44,251	88,501	35,243	44,164	137,868
Borrowings	(36,887)	(92,218)	(184,435)	(35,328)	(88,319)	(176,639)

27 Related-party balances and transactions

In the normal course of their activities and under market conditions, the Company, its subsidiaries and associate conduct transactions with related parties, such as receivables from card-issuing banks (related to operations of purchase of receivables), which are part of financial groups in which the controlling shareholders, Banco Bradesco S,A, and Banco do Brasil, hold interests, as well as expenses and income from services provided by Servinet, Orizon, Multidisplay, M4Produtos, Cateno, Braspag, Aliança and Stelo.

In conducting their business and engaging services, the Company and its subsidiaries make market quotations and researches to find the best technical and pricing terms, Also, the type of business conducted by the Company requires it to enter into agreements with several card issuers, some of which are its direct and indirect shareholders, The Company and its subsidiaries believe that all the agreements entered into with related parties are carried out on an arm’s-length basis.

The tables below include the balances as at December 31, 2019 and December 31, 2018, by type of agreement, shareholders and subsidiaries, of transactions with related parties conducted by the Company and its subsidiaries, as well as the movements, related to the years ended December 31, 2019 and 2018:

	Parent Company					
	12/31/2019					12/31/2018
	Controlling shareholders (i)	Direct subsidiaries (ii)	Indirect subsidiaries (iii)	Investment funds (iv)	Total	Total
Assets (Liabilities):						
Cash and securities (a)	137	17,425	-	-	17,562	13,440
Operating receivables (b)	23,175,115	-	-	-	23,175,115	20,306,124
Borrowings (c)	(3,402,483)	(100,142)	-	-	(3,502,625)	(3,414,565)
Receivables from related parties (d)	-	195,972	870	50	196,893	19,457
Payables to related parties (e)	-	(87,277)	(285,709)	(9,533,457)	(9,906,443)	9,425,751

	12/31/2019					12/31/2018
	Controlling shareholders (i)	Direct subsidiaries (ii)	Indirect subsidiaries (iii)	Investment funds (iv)	Total	Total
Revenues:						
Financial investments yield (a)	1,047	-	-	-	1,047	130,950
Revenue from other services rendered (f)	49,088	1,545	3,518	300	54,451	69,218
POS equipment rental income (g)	84,196	-	-	-	84,196	81,680
Expenses:						
Finance costs (c)	(276,511)	(2,914)	-	-	(279,425)	(231,933)
Other operating expenses – Affiliation fee (l)	(4,664)	-	-	-	(4,664)	(5,872)
Data processing services rendered (h)	-	(18,657)	-	-	(18,657)	(10,702)
Other operating expenses (i)	(44,280)	(215)	(5,887)	-	(50,383)	(50,626)
Service agreements with Servinet and Aliança (j)	-	(339,756)	-	-	(339,756)	(207,233)

	Consolidated					
	12/31/2019					12/31/2018
	Controlling shareholders (i)	Direct subsidiaries (ii)	Indirect subsidiaries (iii)	Investment funds (iv)	Total	Total
Assets (Liabilities):						
Cash and securities (a)	121,528	-	-	-	121,528	76,576
Operating receivables (b)	23,175,115	-	-	-	23,175,115	20,306,124
Borrowings (c)	(3,402,483)	-	-	-	(3,402,483)	(3,414,565)

Revenues:	12/31/2019					12/31/2018
	Controlling shareholders (i)	Direct subsidiaries (ii)	Indirect subsidiaries (iii)	Investment funds (iv)	Total	Total
Financial investments yield (a)	74,111	-	-	-	74,111	123,584
Revenue from other services rendered (f)	49,088	-	-	-	49,088	55,212
POS equipment rental income (g)	84,196	-	-	-	84,196	81,680
Expenses:						
Finance costs (c)	(276,511)	-	-	-	(276,511)	(231,933)
Other operating expenses -– Affiliation fees (l)	(4,664)	-	-	-	(4,664)	(5,978)
Other operating expenses (i)	(44,280)	-	-	-	(44,280)	(44,066)
Payment management services rendered (k)	(28,657)	-	-	-	(28,657)	(24,572)

The related parties consist of: (i) Banco Bradesco and Banco do Brasil; (ii) Servinet, Multidisplay, Braspag, Cateno and Aliança; (iii) M4Products; and Stelo; (iv) FIC, FIDC and FIDC Plus.

(a) Balances corresponding to the amounts held in current account and financial investments, whose terms, charges and remuneration rates were agreed under conditions similar to those applicable to unrelated parties.

(b) The amounts receivable from issuing banks refer to the amounts to be paid by the issuers to the Company arising from credit and debit card transactions, which will subsequently be paid by the Company to accredited merchants.

(c) Correspond to the balances related to the issuance of Private Debentures held by BB Elo Cartões, a company of the Banco do Brasil conglomerate and the balances related to the issuance of Public Debentures held by Cateno (see note 12), and Bank Credit Bill (CCB) issues with Bradesco.

(d) Mainly corresponds to the balance of advance for future capital increase in Aliança in the total amount of R$ 195,000.

(e) Mainly corresponds to the amounts of debit and credit card transactions and cell phone recharges captured by the Company and which will be passed on to the direct subsidiaries (Braspag and Multidisplay), indirect subsidiary (Stelo) and FIDC Plus (advance on future receivables portfolio).

(f) Correspond to: (i) fraud prevention and bank account lock services provided by the Company to shareholder banks; (ii) fees for processing transactions for M4Produtos and Multidisplay; (iii) provision of financial, administrative, procurement, legal and HR services, as well as apportionment of shared expenses to Braspag, Cateno and Stelo; and (iv) collection and settlement services for FIDC and FIDC Plus. These transactions with related parties are carried out at prices and conditions similar to those observable with other issuing banks and in the market in general.

(g) Corresponds to the lease of POS equipment with the controlling banks, which sublease such equipment to their clients.

(h) Refers to data processing, software development and licensing services provided by Braspag.

(i) Correspond to: (i) services contracted with shareholder banks (corporate collective life insurance, hospital and dental insurance and private pension contract); (ii) mobile transaction capture solution development services for M4Produtos and (iii) transaction preprocessing services for Braspag. The Company believes that the financial conditions adopted by the shareholders, regarding prices, terms and other conditions, are similar to those adopted with third parties.

(j) Provision of services by subsidiaries Servinet and Aliança of prospection for the signing up and maintenance of contacts with merchants for the acceptance of credit and debit cards, as well as other means of payment. The remuneration provided for the services rendered is based on the costs incurred by Servinet and Aliança when these services are provided, plus taxes and contributions, as well as a remuneration margin.

(k) Provision of services by Banco do Brasil to Cateno to act as Payment Institution managing postpaid accounts and purchases using debit cards under the Ourocard Payment Arrangement, while activities involving Granted Rights to Cateno are not performed by it.

(l) Affiliation fees correspond to the expenses with the partnering banks as an incentive to the signing up of new customers made at the points of sale of these institutions in the period.

Main related-party transactions

Balances of card-issuing banks

Receivables from card-issuing banks refer to amounts payable by the issuers to the Company for transactions carried out with credit and debit cards, which will be subsequently paid by the Company to the accredited merchants.

Prepayment of receivables from card-issuing banks

The Company has agreements for advance of amounts that will still fall due, related to transfers of amounts that the issuing bank must make to the Company for transactions carried out by the bank’s customers holders of credit cards. These advance transactions are performed in order to generate short-term working capital and the amounts deposited in checking account are net of advance fees, on a pro rata basis, calculated at the market rates that do not significantly differ from those adopted by the card-issuing banks that are not the Company’s shareholders.

These transactions with related parties are carried out at prices and under conditions similar to the transactions carried out with other issuers of credit or debit cards.

Domicile bank incentives

The Company entered into agreements with Banco Bradesco S,A, and Banco do Brasil S,A, for the purpose of increasing the volume of transactions using credit and debit cards captured and processed by the Company, settled through current accounts of merchants accredited by the Company with said banks. Based on monthly calculation of the volume of such transactions, the Company assigns certain amounts to its partners as an incentive.

Contract for anti-fraud system

The Company has an agreement with Banco Bradesco S,A, and Banco do Brasil S,A, to provide access to the anti-fraud system for monitoring by banks of card transactions issued by them.

Use of Cielo authorized network (Value Added Network - VAN)

The Company entered into service agreements with Companhia Brasileira de Soluções e Serviços – CBSS. These services include the capture, authorization and processing of transactions with ALELO cards, as well as services provided to merchants, operational and financial back office services, fraud prevention, issuance of statements and financial control over the electronic transactions resulting from these transactions. The fees and rates charged for these related-party transactions are at prices and under conditions similar to the transactions carried out with other third-party partners.

Participation of Accredited Merchants in Elo Payment Arrangements

The Company participates in Elo Payment Arrangements, established by Elo Serviços S.A. The Company participates in Elo Arrangements as Accrediting Institution, which includes the provision of services relating to accreditation and maintenance of merchants, the participation in the processing and settlement of transactions made with payment instruments of Elo Arrangements and license for the use of Elo brands, in conformity with the technical specifications contained in its manuals. The Company pays Elo for its participation as accrediting institution in Elo Arrangements, and the conditions and prices of such participation are similar to those practiced with the other accrediting institutions.

As a result of Cielo's participation in the Elo Payment Arrangements, Cielo provides big data services to Elo Serviços S.A., and has agreements to conduct marketing campaigns, similar to commercial relationships with other founders of payment arrangements.

Bank account lock

Refers to bank account lock service agreements entered into with various banks, whose service consists of ensuring to the banks the locking of the bank accounts of the accredited merchants that carry out financial transactions with them. These related-party transactions are carried out at prices and under conditions similar to the transactions carried out with other domicile banks.

Share bookkeeping services

A share bookkeeping service agreement entered into between Cielo and Banco Bradesco S.A. whereby the latter provides share bookkeeping and share certificate issuance services to the Company.

Operating services - Stock option program

Service agreement consisting of rendering operating services for the stock option program and the related grants entered into with Bradesco S.A. Corretora de Títulos e Valores Mobiliários.

Payment management services

Banco do Brasil entered into an agreement with Cateno in order to operate as Payment Institution in managing post-paid accounts and purchase functions through debit under the Ourocard Payment Arrangement while Cateno's Granted Rights are not exercised by it. The agreement has a clause for compensation of 0.01% on the total financial volume of transactions under the Contracting party’s management.

Securities bookkeeping services

Agreement entered into with Banco Bradesco S.A. for the provision of debenture bookkeeping and custodian agent services.

Securities management services
Agreement entered into with Banco Bradesco BBI S.A. for the provision of services of coordination and distribution of promissory notes and debentures, the latter pursuant to the terms of CVM Instruction No. 400.

Public and private securities operating management services
The agreement entered into with Banco do Brasil S.A. is aimed at regulating the provision of services relating to movement, custody and financial settlement of transactions carried out with public securities registered with SELIC and with private securities registered with CETIP.

Representation services with CIP
Agreement entered into with Banco do Brasil S,A, for the bank's representation with CIP (Interbank Payment Clearing House) aiming at the provision of services relating to settlement of transactions carried out with credit and/or debit cards and provision of STR (Reserve Transfer System) issuance services.

Merchant Prospection Services
Agreement entered into with Banco do Brasil S,A, and Banco Bradesco S,A, for these banks to provide merchant prospection services to be accredited by the Company.

Management of Payment Accounts
Agreement entered into with Cateno Gestão de Contas de Pagamento S,A, to provide and manage means of payment on a prepaid basis to merchants accredited by the Company.

Granting of Livelo Incentive Points
Agreement entered into with Livelo S.A. to grant Livelo points to participants in incentive campaigns developed by the Company.

Merchant Accrediting Agreements
Agreements by and between the Company and its subsidiaries Stelo, Braspag and M4 for the Company to provide merchant accrediting and transaction processing and settlement services.

Elo brand agreements
Agreements by and between the Company and Elo brand (Elo Serviços S.A.) for the Company to render transaction processing and project development services. The company also licenses the use of a platform to Elo.

Other widespread agreements
In addition to the balances recorded, the Company provides platform processing and license services to Elo Serviços S.A. and engages other services from the main shareholders, namely:

- Cash management services;
- Insurance;
- Health insurance and private pension services;
- Corporate credit card;
- Payment to suppliers;
- Travel services.

28 Noncash transactions

In preparing the Company's statements of cash flows, net cash provided by financing and investing activities solely includes the Company's transactions effectively involving cash. The table below sets out all the remaining changes in the balance of investments and financing not involving cash and/or cash equivalents:

	Parent Company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Exchange differences on net foreign investment	(30,123)	173,956	-	-
Exchange differences on borrowings	54,970	469,865	54,970	469,865
Capital increase with reserves	-	1,000,000	-	1,000,000
Post-employment benefits	(16,783)	-	(16,783)	-
Minimum dividends and interest on capital proposed	-	875,000	-	875,000
Interest on capital proposed	(81,276)	-	(81,276)	-

29 Insurance

As at December 31, 2019 , the Company has the following insurance coverage:

Type	**Insured amount**
Civil liability of Directors and Officers	270,000
Named perils (fire, windstorm and smoke, electrical damages, electronic equipment, theft and flood)	255,555
POS equipment warehousing	180,000
POS equipment transportation	2,500,000